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NEWS SUMMARY

GENERAL

Tighter airport security sought

British Airways staff have called for tighter security at Heathrow's long-distance terminal. Their demand follows the Mayfair attack ten days ago on an El Al crew.

British Airways check-in staff have asked for eight-foot protective barriers around nearby balconies—similar to the bullet-proof screens installed near El Al desks to combat possible terrorist attacks. They also want the British Airports Authority to allow only ticket-holding passengers near check-in desks.

Scotland Yard has denied reports that the Army's Special Air Services regiment has moved into Heathrow. It did not deny that SAS men were at Heathrow from time-to-time but said they were "not to become a permanent feature there."

Meanwhile, holiday makers at British airports were waiting for up to 24 hours yesterday for flights. The French air traffic controllers' work-to-rule closed Nice airport and thousands of passengers were reported stranded at Palma. Page 7

Smallpox alert

Only urgent cases and emergencies will be admitted to East Birmingham Hospital from Friday because so many staff are in quarantine following possible contact with smallpox victim Mrs. Janet Parker. Seventy hospital staff and 120 people who visited Mrs. Parker in hospital have now been quarantined.

A neighbour and colleague of Mrs. Parker have been taken to hospital. One of them had developed a spot and the other had complained of "feeling ill."

More emigrants

White Rhodesians are leaving the country in dramatically increasing numbers. Central Statistical Office figures say that 1,342 whites left last month, while only 231 immigrants arrived.

Black cities

South Africa may build eight black "city-states" near black homelands in an effort to defuse problems with urban blacks and to keep the apartheid policy on course.

Killings claim

GRAPO, the left-wing Spanish guerrilla group, has claimed responsibility for the deaths of two policemen in Monday's bombing of two police stations. Page 2

Carnival arrests

Scotland Yard said that 54 people had been arrested at the Notting Hill carnival in West London and 51 were charged. Thirty-six policemen and 15 civilians were injured at the carnival. The Yard said later that police were satisfied with the low level of crime during the two-day event.

Briefly . . .

France is to display its Mirage Delta 2000 fighter aircraft at the international air display at Farnborough on Sunday.

Former MP John Stonehouse was back in Wormwood Scrubs Prison yesterday after 16 days in Lowestoft Hospital, Suffolk.

Pope John-Paul I will formally launch his reign as leader of the world's 700m Roman Catholics at a simple open-air ceremony at St. Peter's Basilica on Sunday.

Portugal's President Eanes yesterday swore in Portugal's third constitutional government under the leadership of Prime Minister Alfredo Nobre da Costa. Page 2

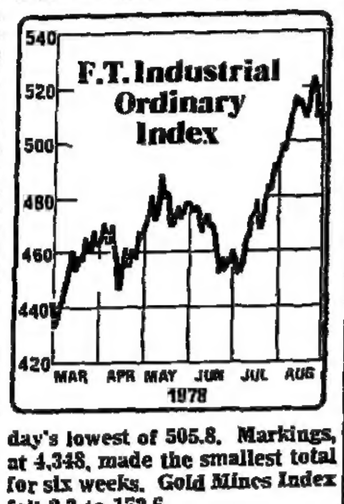
Whitbreads brewery has sold the world's largest hot air balloon for £1 to transatlantic balloonists Don Cameron and Christopher Davey.

The Department of Health and Social Security plans to ban sale and supply of the painkiller phenacetin, long-term use of which is associated with severe kidney damage.

BUSINESS

Equities slip 7; £ adds 1.8 cents

● EQUITIES slipped in thin trading, on absence of investment demand. FT 30-share index closed 7.6 down at the day's lowest of 505.8. Markings, at 4,348, made the smallest total for six weeks. Gold Mines Index fell 2.3 to 173.6.



● GILTS traded quietly. Mediums and longs were unchanged. Shorts eased slightly. Government Securities Index was 0.03 lower at 70.63.

● GOLD rose $6¾ to $204¾. Comex August settlement price closed at 207.20 (198.60).

● STERLING put on 1.85 cents to $1.9455. Trade-weighted index increased to 62.4 (62.2). Dollar's depreciation widened to 8.9 per cent (8.4).

● WALL STREET closed down 4.68 at 880.20.

● FRANCE'S cost of living rose by 1.2 per cent last month, its biggest cost-of-living increase since April last year. Page 2

● PARLIAMENTARY committee has attacked conflicting practices by nationalised energy industries in presenting their annual accounts, which it says can cause distortions in profit and loss figures. Page 7

● TRADERS selling foreign steel into the British market are offering discounts of up to 25 per cent on published steel prices. Back Page

● ENVIRONMENT Department proposals for expanding local authority direct labour building operations have been attacked by the National Federation of Building Trades Employers and the Federation of Civil Engineering Contractors. Page 8

● DOCKERS' leaders and employers at Southampton held emergency talks after a meeting of 2,000 dock workers decided to continue a strike which has halted cargo operations since Friday. Page 9

● MACMILLAN Bloedel, Canada's biggest forest-products group, is among several Canadian companies showing interest in acquiring Reed International's 87 per cent. stake in Reed Paper. Back Page and Lex

● ASSOCIATED ENGINEERING has won its struggle for Fluidrive Engineering, the transmission group, owing to a last-minute rush of acceptances and strategic buying by Hill Samuel. Back Page

● CASIO, the Japanese electronics company dominating the world calculator market, is to raise a DM40m (£10.3m) loan in West Germany today. Back Page

● TRANS WORLD Airlines' application for approval of a 5 per cent rise in the normal transatlantic economy fare is to be turned down, the U.S. Civil Aeronautics Board confirmed. Back Page; Other air news Page 7

COMPANIES

● FAIRCLOUGH Construction first-half pre-tax profits rose to £3.6m (£3.08m) on turnover of £89.8m (£88.05m). Page 36

● BRITANNIA ARROW Holdings reduced first-half losses to £38,000 (£2.9m). The Board expects to resume payments of preference dividends on November 30. Page 36

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:

Biddle Hldgs.	102	+ 6
Bourne & Hllngswrth.	280	+ 5
Brammer (H.)	173	+ 7
Burton A N/V	177	+ 10
Clay (Richard)	92	+ 4
Cullens Stores A	150	+ 10
Ellis & Everard	104	+ 5
Haw Par	68	+ 4
Mowat (Wm.)	22	+ 6
Rank Org.	290	+ 8
Reed Intl.	160	+ 10
Travis & Arnold	169	+ 6
Northern Mining	115	+ 6

FALLS:

Beecham	707	− 11
Chesterfield Props.	330	− 10
Furness Withy	235	− 9
GEC	306	− 7
Glaxo	615	− 13
GUS A	312	− 10
Hawker Siddeley	234	− 10
Hoffnung (S.)	77	− 3
HK & Shanghai	327	− 10
ICI	398	− 8
Lucas Inds.	323	− 9
Pearl Assnce.	264	− 4
Rolls-Royce	99½	− 3
Thorn Elect.	388	− 8
BP	888	− 20
Guthrie Corp.	380	− 7
Anglo-Am. Inv. Tst.	£44½	− 1
Ayer Hitam	385	− 30
De Beers Defd.	408	− 14
North Broken Hill	118	− 7
Southern Kinta	235	− 10
Tronoh	245	− 15

U.S. trade deficit nearly doubles to $2.9bn in July

BY JUREK MARTIN, U.S. EDITOR: WASHINGTON, AUG. 29

The U.S. trade deficit in July was nearly double the June deficit at $2.99bn, and the fourth largest ever recorded in a single month. The figures are a sharp blow to the Carter Administration's hopes of improving the country's external payments position.

The news has completely overshadowed the more encouraging announcement earlier that the Consumer Price Index had risen by only 0.5 per cent in July. This is the smallest monthly advance so far this year and a relief from the double digit level of inflation that has plagued the economy over the first six months.

However, the need for a tougher anti-inflation policy is no longer in dispute. Mr. Robert Strauss, the President's inflation adviser, acknowledged today that the programme so far had fallen short of expectations. He predicted that the annual rise in the cost of living would drop to 8 per cent by the year's end, but would still be above official forecasts.

He did not give any clues on the content of the new "second stage" which he said yesterday would be ready by October at the latest, not November as originally scheduled. But he made a strong plea for continuing the voluntary approach from both business and labour, as opposed to imposing formal wage and price controls.

The Administration is now clearly concerned that the impact of the bigger trade deficit will vitiate all the strategic and tactical dollar defence policies unveiled over the last two weeks.

Washington had been clinging to the belief that the trade deficit would be held to below $2bn in July — in June it had dropped to $1.59bn, about $1bn below the monthly average for the first five months, and there appeared to be tentative evidence of a resurgence in U.S. exports.

In the event, exports fell in July to $11.79bn compared with the $12.13bn of the previous month, while imports jumped by over $1bn to $14.78bn. This was in spite of a further small drop in the level of oil imports.

The large jump in manufactured imports in many categories in part reflects the relative vigour of the domestic economy in the second quarter of the year, but perhaps even more is accounted for by the weakness of the dollar on the foreign exchange markets.

The dollar's slide recommenced in July, following a period of relative stability for several months until June.

Last month's figures mean that for the year to date the U.S. has run a seasonally adjusted trade deficit of $19.36bn, compared with $13.61bn in the same period a year ago. This implies a deficit for the full year of over $33bn, well above last year's.

The size of the July deficit is bound to revive speculation that the Administration will be forced into specific actions on the trade policy front.

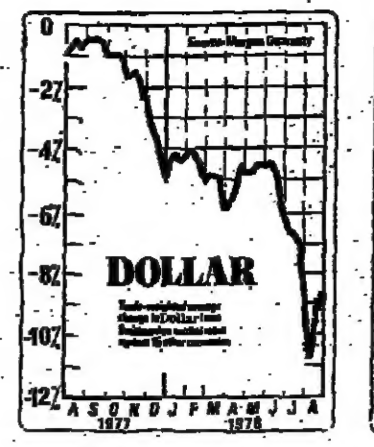
A special exports promotions programme is due to be unveiled within the next few weeks, but there are doubts that it can be effective in the short run.

So far the U.S. has determinedly set its face against anything other than isolated and selective controls over imports.

Moreover, with the trade negotiations in Geneva approaching conclusion at the end of the year it would desperately like to avoid recourse to either import deposits or surcharges because of the havoc that could be wrought on GATT at a most sensitive time. But pressure for such measures could well mount when Congress reconvenes next month.

The easing of the pace of inflation, as reflected in the Consumer Price Index, was rather greater than had been anticipated, though it has come a little late in the year.

The major factor was the stability in food prices, with the food index unchanged in the month after having gone up by an average of 1.6 per cent per month throughout the first half of the year.



Dollar falls in hectic dealing

BY MICHAEL BLANDEN AND MARY CAMPBELL

THE DOLLAR slumped in hectic London foreign exchange market dealings yesterday afternoon after the announcement of the sharply increased U.S. trade deficit.

The setback more than wiped out the gains recorded by the U.S. currency in the last two days' trading following the series of measures announced by the U.S. Administration to help the dollar.

The latest of these moves, the changes in controls on Eurodollar borrowing by U.S. banks, brought a recovery in the dollar on Monday, which was sustained in early dealings yesterday.

After a day of mainly thin and uncertain trading, however, the news of the increased deficit prompted general selling of the dollar in spite of the improved U.S. consumer price figures. The pressure continued later in New York.

There was renewed speculation on possible further drastic measures by the U.S. authorities to prop up their currency.

The dollar closed in London sharply down against all the leading currencies, with the pound showing a turn-round of more than 3 cents during the course of the day.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty, widened from 8.4 per cent to 8.9 per cent.

Against the West German Deutsche Mark, the dollar touched DM 2.0340 before fall of London trading. The fall extended to DM 1.9850 in New York. This compared with London's Friday close of DM 2.0090. Similar movements were recorded against the Swiss franc, which ended in London at SwFr 1.6350 to the dollar after reaching SwFr 1.7090 during the day, and the Japanese yen.

The pound touched a low point of $1.9105 but closed at $1.9455 compared with $1.9270 on Friday. Its trade-weighted index rose from 62.2 to 62.4 on the official calculation, but probably increased further in later trading.

Both the markets and bank economists were puzzled yesterday by the Federal Reserve's move to cut to zero the reserve requirements on U.S. banks' net borrowing from banks abroad. Without other accompanying action, they were sceptical on its relevance to the problems of the dollar.

Although Eurodollar deposit rates rose, this was said to be more in response to the upward movement of U.S. domestic rates on Monday than to the announcement of the cutback in the reserves payable under regulation M.

The main reason quoted for scepticism is that regulation M — the main regulation prescribing the level of reserves which banks in the U.S. have to maintain against their net borrowing from banks abroad — is not operative at present. This is because U.S. banks are large-scale lenders to banks abroad.

Regulation M was introduced in 1969 at a time when U.S. banks were borrowing heavily from their foreign branches to circumvent strict U.S. monetary controls.

At the end of June, U.S. banks were net lenders to their foreign branches of $21bn, up from $17bn last December. They have played a major part in the large-scale capital exports which have compounded the problems of the U.S. external deficit in the last year. While a few individual banks might be net borrowers from banks abroad — one U.S. economist yesterday suggested that the value of reserves held under regulation M was about $100m — the cut in the reserve requirements could not be much of an inducement to banks generally to borrow funds from the Eurodollar market.

Some economists yesterday suggested that the Fed's moves to cut the reserves could only be explained as a prelude to a further sharp upward push in domestic interest rates. According to this analysis, sharp action on the interest rate front could turn the market to such an extent that the net lending by U.S. banks to banks abroad would be eliminated.

Continued on Back Page

$ in New York

—	Aug. 29	Previous
Spot	$1.9445-9465	$1.9200-9220
1 month	0.35-0.29 dis	0.40-0.34 dis
3 months	1.22-1.16 dis	1.26-1.20 dis
12 months	4.40-4.20 dis	4.60-4.40 dis

National Savings woos the investors

BY TIM DICKSON

A MAJOR package of changes to woo investors back to various forms of National Savings was announced yesterday.

The moves will almost certainly put further pressure on building societies, which have recently been reporting a slowdown in the intake of funds.

The rate of interest paid on a National Savings Bank investment account is to be increased from 8½ to 9½ per cent from October 1.

The changes also include a new 9½ per cent British Savings Bond, higher limits on holdings of premium savings bonds and the index-linked retirement issue, and a new premium savings bond weekly jackpot prize of £75,000.

Yesterday's announcement follows last month's £50m net outflow of funds from the National Savings movement—the first net monthly withdrawal since June 1976.

Most of the damage was caused by institutions removing money which they poured into National Savings investment accounts last summer.

It is unlikely, however, that yesterday's changes will attract back much of this institutional cash for quite apart from competitive investments elsewhere, a £50,000 limit has since been placed on deposits.

The increase in the maximum holding of the index-linked retirement issue from £500 to £700 from October 2 is likely to be more significant. The issue pays interest of 7.8 per cent a year and can be held by men over 65 or women over 60.

The new limits refer to the purchase price of the certificates, not their repayment value.

The new 9½ per cent savings bond (to be issued on November 20) will replace the jubilee issue. The bond will also carry a tax free bonus of 4 per cent to be paid on maturity after five years.

The maximum permitted holding of this issue will be £10,000 in addition to any holdings of previous issues.

The new £75,000 premium bond prize will be introduced from January 1, 1979 and will be in addition to the weekly £50,000 prize. There will no longer be 25 £1,000 prizes for the weekly draw.

The extra prize money will be obtained by raising the interest on bonds, which is paid into the prize fund, from 5½ per cent to 5¾ per cent. Bonds bought before the end of September will be eligible for the first month's £75,000 weekly draws.

From September 11 the maximum permitted holding of premium bonds will be increased from £2,000 to £3,000.

The Building Societies Asso-

Continued on Back Page

Japan package may include £6bn supplementary budget

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, August 29.

JAPAN WILL announce a series of measures aimed at stimulating the economy and reducing the balance of payments surplus at the end of this week. They will probably include a Y2,300bn ($6.2bn) supplementary budget which will be billed as having the potential to create an additional final demand of Y3,000bn.

The Government will also announce an upwards revision of its estimate for the 1978 fiscal year current account surplus (originally put at $6bn but now certain to exceed this by a wide margin). It will apparently stand firm by its forecast that GNP will grow by 7 per cent in real terms during the fiscal year.

The extra spending in the supplementary budget will go mainly to public works and housing finance—in other words it will be designed to reinforce the existing strategy of seeking economic recovery through an intensified public works programme.

The Government is setting its face against a tax cut as an additional means of stimulating demand, in spite of calls for this from the Opposition and from many independent economic commentators.

What it apparently plans in addition to increased public works spending is a sizeable mid-year increase in the foreign aid budget, possibly amounting to as much as Y100bn.

This will form part of a series of measures designed to show that Japan is taking steps to deal with the situation created by its massive balance of payments surplus.

The economic package, expected to be adopted by the Cabinet on Saturday, will also include further relief measures for recession-hit industries and regions and will outline steps to be taken to ensure that exchange gains resulting from the yen revaluation are passed on to consumers.

The package may include a target for emergency imports to be undertaken during the 1978 fiscal year, but this is doubtful, largely because the Ministries concerned disagree on how big the target should be.

The Saturday package represents the first major attempt by the Japanese Government to stimulate the economy since the introduction of the main 1978 budget in April. It seems necessary in the light of indicators which suggest that economic activity has been slowing down in the past few months after a fairly lively start to the year.

Industrial production in July, according to figures released today, was 0.3 per cent up on the level for June, but manufacturers' shipments were down by 0.5 per cent, marking the second decline in the past four months.

A survey of production plans in industry by the Ministry of International Trade and Industry suggests that production will show a 0.7 per cent rise in August but will slip back 1.4 per cent in September.

Varley in Airbus talks today

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

M. JOEL LE THEULE, the French Transport Minister, is expected to visit the UK today for further talks with Mr. Eric Varley, Secretary for Industry, on future collaboration on European aerospace programmes.

In particular, the two Ministers are likely to clear up various points raised between officials of the countries concerned, including West Germany, in discussions in the past week or so about Britain's possible participation in development of the new A-310 version of the European Airbus.

M. Theule will visit Bonn tomorrow for talks with Herr Martin Gruner, State Secretary for Economic Affairs.

Mr. Varley has paid several visits to Paris and Bonn in recent weeks for talks on this topic, and officials of the three countries have been in constant contact.

These discussions have done much to clear original points raised by the French, including the size of the "entry" fee the Europeans expect the UK to pay as a contribution to the past development costs of the A-300 Airbus, and the question of British Airways' possible interest in the A-310 aircraft.

In Paris it is believed the three countries are close to an agreement. If all goes well in to-day's London talks and in Bonn tomorrow an announcement may be made during the Farnborough Air Show, which starts on Sunday, where senior Government and aerospace industry representatives will be present.

Any agreement between Mr. Varley and M. le Theule will have to be approved by the UK Cabinet sub-committee under the chairmanship of the Prime Minister, which has been studying the question of future UK air ventures for many months.

The UK has so far resisted French requirements for a full contribution to past development costs of the A-300 itself, and it is understood that the formula now proposed envisages a token payment to take account of profits the UK has earned on its sub-contract to build the wings for the A-300.

If the UK did join Airbus Industrie on a formal Government basis, it would contribute up to £100m—equivalent to 20 per cent—of the costs of developing the 200-seat A-310. Britain would be given contracts to the same amount, particularly covering the design, development and manufacture of wings for the aircraft.

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For latest Share Index 'phone 01-246 8026

هكذا من الاصل

EUROPEAN NEWS

Portuguese Premier sworn in

By Jimmy Burns

LISBON, August 29.

PORTUGAL'S new Prime Minister, Sr. Alfredo Nobre da Costa indicated today that his Government was ready and able to play more than a stop-gap role.

Speaking at the swearing-in of his non-party Administration in the old royal palace of Ajuda, Sr. da Costa said that his Government had no intention of being simply a government of transition concerned only with day-to-day business.

His Administration had inherited a number of important commitments from the previous Socialist - Conservative alliance, as the targets set by the International Monetary Fund (IMF) last May and opening negotiations with the EEC. It was its duty to carry out its responsibilities.

Sr da Costa went on to refer to legislation which the previous Government had passed but which has yet to be fully implemented such as a clearer definition between the private and public sectors, indemnification and agrarian reform.

The new Prime Minister's short speech was delivered quietly, in contrast to the acceptance speech of his predecessor, Sr Mario Soares, last January. Sr da Costa declared recently in a radio interview that the Portuguese people were tired of politics in terms of long speeches. "What they want is that someone should do something about the economy."

The economy was also the main concern of President Ramalho Eanes who spoke after Sr da Costa today. He called on the new Government to pursue a policy of all-out austerity.

Whether the new administration will survive long enough to carry out such a policy remains in the balance. Parliament is due to debate the Government's programme on September 7.

Although the main parties are reserving judgment until that date, there are indications of a lack of support for Sr da Costa and his team of technocrats. The Conservative Party has expressed disagreement with the naming of what they term "left-wing" Ministers to key posts and its representatives were absent from today's ceremony.

Peugeot hiring

Peugeot has said that it plans to hire 800 workers by the end of October at its Mulhouse plant in eastern France, Reuter reports. This is because a third assembly line is being brought into service to raise output to 1,050 cars per day by the end of the year from about 800 at present. The plant produces 104, 304 and 305 models and has a current labour force of 14,000.

French cost of living rises by 1.2 per cent. in July

BY DAVID CURRY

PARIS, August 29.

THE BOUT of severe price inflation in France, caused in considerable measure by the Government's deliberate policy of increasing prices in the public sector to a more "economic" level, is continuing.

In July, the cost of living rose by 1.2 per cent, responding notably to the rise in prices of coal, public transport and, above all, petrol and fuel oil.

Manufactured prices were up by 1.4 per cent, of which half is attributable to higher public sector tariffs and to energy costs. This means that the rise directly consequent upon the Government's liberalisation of industrial prices is relatively modest.

However, the first real judgement of the effect of price freedom will only be possible when the September index is in and the policy can be judged over a three-month perspective.

The July rise means that prices are 9.3 per cent higher than a year ago, 6.3 per cent up since the start of the year and running at an annual rate of 12.5 per cent on the basis of the past three months' figures. This will certainly moderate towards the end of the year, when the public sector increases and higher industrial prices are absorbed.

The latest increase also means that prices in France have exactly doubled since the present index came into force in 1970.

M. Raymond Barre, the Prime Minister, has said that this year he hopes to contain the rise in prices to 10.5 per cent, of which some 2 per cent will be attributable to the policy of more realistic prices in the public and State sector. He insists that the current spate of increases are necessary to purge the public sector of an unhealthy level of subsidy and that it is not inflationary, since the basic economic activities like trade, money supply, and currency stability are in equilibrium.

It seems unlikely that the Government will decide to reduce petrol and fuel oil prices to reflect the decline of the dollar. This idea was floated by M. Rene Monory, the Economics Minister, two weeks ago, but it looks as if M. Barre has squashed it on the grounds that it is nonsense to cheapen the price of a rare commodity at the same time as encouraging people to economise on its use.

● Credit du Nord, a small private bank, has said that it will cut its base lending rate to 8.90 per cent from 9.05 per cent effective September 4, Reuter reports from Paris. Other banks are expected to announce a similar cut in the next few days.

Dutch spending cuts criticised

BY CHARLES BATCHELOR

AMSTERDAM, August 29.

HOLLAND'S largest trade union federation, the FNV, has rejected Government plans for Fls10bn ($4.6bn) worth of spending cuts. Following the criticism last week of large parts of the plan by the traditionally more moderate CNV Federation, the Government faces opposition to its proposals from a significant part of organised labour.

Parliament risks a major crisis of confidence with the trade union movement if it approves the plan, Mr. Wim Kok, chairman of the FNV, told a news conference. Minor amendments to the proposals will not be enough to make it acceptable to the federation, he said.

The FNV is particularly critical of the lack of detailed proposals to create new jobs, and of the placing of most of the burden of the cuts on people receiving social security benefits and on public sector employees.

Mr. Harm van der Meulen, chairman of the CNV, said his federation did not reject the plan outright but doubted it would lead to the creation of more jobs. It also criticised the proposal to restrain increases in the salaries of public sector workers.

Parliament is expected to debate the cuts, which will be achieved by allowing public spending to grow to only Fls200bn in 1981 instead of Fls210bn as planned in October. The Government hopes to transfer resources to the private sector to achieve higher company profits and a cut in unemployment to 150,000 in 1981 from 200,000 now.

Prime Minister Dries van Agt said in a written answer to more than 300 Parliamentary questions that the Government would give no detailed figures for the effect of the proposed cuts. There were too many uncertainties for a "statistical blueprint" to be presented and the figures would have to be revised from year to year.

The Government's proposals have also been rejected by unions representing public sector employees and the building industry.

The unions' reaction bodes ill for the annual round of wage negotiations which are due to begin in November.

Sweden bank rate report

STOCKHOLM, August 29.

THE BANK of Sweden is considering a reduction in bank rate to 6 per cent from 6.5 per cent and a decision may be made on Thursday, according to commercial bank economists and currency dealers.

The expected cut would make the fourth half point decrease this year and restore discount to its level prior to the two point rise in June 1976.

The bankers said the calm surrounding the Swedish krona and the continuing improvement in Sweden's trade account should encourage the Central Bank governing Board to implement the cut at its Thursday meeting.

Some economists, noting that the last cut was on July 20, agreed that a fresh reduction was likely to make the costs of government and corporate borrowing cheaper but saw no pressing reason for it to occur this week.

The short-term market is likely to stay very liquid for the rest of 1978 due to the growing budget deficit and rising foreign exchange reserves, so the Central Bank can clearly use this situation to lower interest rates.

Currency dealers said a half point discount cut would have little effect on the krona since such a change is minor compared to recent foreign exchange swings of 1, 2 or 3 per cent in a session.

A lower discount rate, however, would contribute to reducing inflation and making saving less attractive, with flagging private consumption stimulated to some extent.

The bankers forecast a quarter point cut in the long-term bond rate to accompany the eventual discount reduction, although a healthy spread between shorts- and long-term rates will be maintained to facilitate the government's long term borrowing.

Reuter

Two Czech dissidents reported imprisoned

Two Czechs have been jailed for spreading rumours about the country's Communist leadership and a third is under arrest for criticising the Government, Czech emigres told Reuter yesterday in Vienna.

Mr. Ivan Manasik, a technician, was given an 18-month sentence, and Mr. Michale Kobal, a worker, was jailed for 12 months, on charges of spreading reports about back-stage clashes in the ruling politburo, it was said. The two men, who are aged about 30, were arrested last April following rumours that President Gustav Husak was under pressure from fellow politburo members over economic policies.

The emigres said the two men were sentenced by a provincial court in recent weeks, but reports reaching Vienna from Prague did not indicate where the trials took place.

Mr. Zdenek Kastak (32), a worker, was reported under arrest at Vrchlabi, in northern Czechoslovakia, after sending critical letters to Government authorities and newspapers.

A Protestant priest and known dissident, Mr. Jan Simsa, arrested in June, was said to be facing trial at Brno today on charges of attacking a policeman during a house search.

Prague discussions

Six visiting West German Parliamentarians from the Free Democratic Party (FDP) had a lengthy meeting yesterday with Czechoslovak Prime Minister Lubomir Strougal, the West German embassy said, in Prague, Reuter reports. The discussion between Dr. Strougal and the delegation centred on ways of deepening economic co-operation between their two countries, an embassy spokesman said. Both sides stressed their interest in developing political, economic and cultural relations. Earlier, the West German deputies paid tribute to the victims of World War II at Lidice, the village near Prague destroyed by the Nazis.

Bomb attack clue

The Chief Federal Prosecutor's office said yesterday that it suspected a link between detonators fished out of the Rhine by an angler and recent bomb attacks on British army camps in West Germany, Reuter reports. A fisherman found 33 detonators and two fuses in the river near Kaiserwerth, north of Duesseldorf, over thet weekend. On August 18, Rhine Army bases were hit by eight bomb attacks thought by police to have been the work of IRA guerrillas. The attacks caused extensive damage

Japan-Russia talks

A Japanese Parliamentary delegation left Tokyo for Moscow yesterday and is expected to discuss there the future of four Pacific islands that the Soviet Union has occupied since the World War II, Reuter reports. The visit, by a five-member delegation from the opposition Japan Socialist Party, is the first since Tokyo and Peking signed a peace and freindship treaty earlier this month. The treaty has been severely criticised by the Soviet Union. Japan has insisted that Moscow returns the four islands before concluding a Soviet-Japanese peace treaty, but the Kremlin has steadfastly maintained that there are no territorial issues outstanding betwen the two countries.

Turkey blasts claim

Government officials said they had no way of checking the authenticisy of claims by an Armenian extrimist group that it was responsible for a series of bombings in Turkey last week, Reuter reports from Ankara. A group calling itself the Armenian Secret Army for the Liberation of Armenia said in a statement issued in Beirut that it had engineered explosions at military installations and elsewhere in Ankara and Istanbul last Wednesday and Friday. The only reported explosion was on the Galata Bridge in Istanbul last Friday, caused by a small time-bomb.

Liberals in coalition pact with Danish ruling party

BY HILARY BARNES

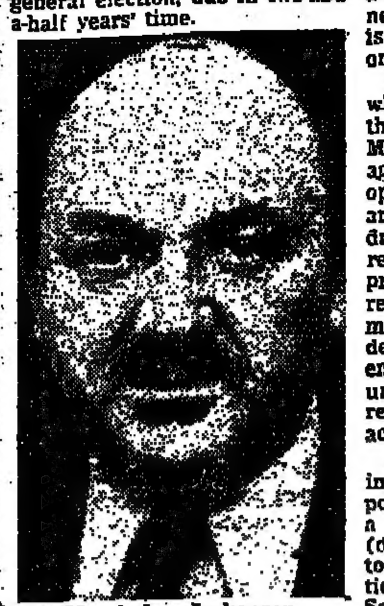
COPENHAGEN, August 29.

THE SOCIAL Democratic minority Government of Mr. Anker Joergensen is to be joined in a coalition by the Liberal Party. The two parties reached agreement late last night after three weeks intensive negotiations. An economic stabilisation plan is expected to be the main point in the new Government's programme.

The two parties have been the chief antagonists of Danish politics for the past 80 years and have never before served in a government together (except in a brief liberation government of 1945), although they have frequently made compromise agreements with each other

Mr. Joergensen will present the new administration to a special session of the Folketing (Parliament) on Thursday. The Liberals will hold seven Cabinet seats and the Social Democrats 12 or 13. Mr. Knud Heinesen is expected to retain the key portfolio of Finance, while Mr. Henning Christoffersen, Liberal Party chairman, will become Foreign Minister.

The new Government will have the backing of 65 Social Democrats and 21 Liberals, plus one Greenland and one Faroe Island member who normally support the Social Democrats. The total strength of 88 is one short of an absolute majority, but the coalition is expected to enjoy a broad backing from the Right-Centre parties and, in practice, to be unassailable until the next general election, due in two-and-a-half years' time.



Mr. Anker Jorkensen

Officials said that a call for zero wage increases in next spring's collective wage agreements, coupled with a warning that any pay rises will be nullified by tax increases, is one of the key points in the agreement. In addition there will be public spending cuts and there are strong rumours of tax increases this autumn to prevent a boom in consumer spending next year. A capital gains tax is also expected to be introduced on residential property.

The Trades Union Council, which has been consulted throughout by the Prime Minister, does not support the agreement but is unlikely to oppose it actively. The unions are bitter because the agreement drops a union inspired tax reform, most of the points in a proposed socialist housing reform and contains no commitment to introduce "economic democracy" by means of employee co-ownership. The unions have said that these three reforms were their conditions for accepting wage restraint.

Sources said that public spending cuts will include the postponement of the construction of a bridge across the Great Belt (one of the two main entrances to the Baltic), and of a distribution network for Danish North Sea natural gas, both expensive projects which have been strongly criticised on economic grounds.

Both the bond and share markets reacted positively today to the news that a new government is on its way.

Violence erupts again in Spain

BY ROBERT GRAHAM

MADRID, August 29.

FOUR assassinations of members of the security forces, and two attacks on police stations within the past 24 hours have abruptly ended a six-week summer lull in Spanish violence. Police and the Government seem convinced that this sudden eruption of violence is co-ordinated.

Responsibility for two of the assassinations was claimed today by the allegedly extreme left-wing group GRAPO, while the other two killings are thought to be the work of factions of the militant Basque nationalist group, ETA.

Three killings occurred yesterday morning within the space of 35 minutes in the Basque town of Mondragon, in Barcelona and in the Galician town of Santiago de Compostela. A fourth assassination took place late last night near the Basque frontier town of Irun. The two members of the security forces killed in the Basque country are understood to have been involved in intelligence work.

An unknown group, the Galician Armed League, claimed responsibility for the assassination in Santiago de Compostela and in a subsequent message to a local radio station said its aim was to carry out a policy of national destabilisation "to achieve the liberty of all colonised peoples."

Today, however, the Madrid evening newspaper Informaciones, said it had received an anonymous call in which GRAPO claimed the responsibility for this and the Barcelona killing. Barcelona police, meanwhile, announced they were holding three people in connection with the Barcelona policeman's death.

This violence, accompanied today by a powerful bomb explosion outside Soria Prison, is the first since the assassination in Madrid on July 21 of two senior army officers. Then, the police said GRAPO was responsible, but ETA subsequently claimed the attack had been the work of one of its commando units operating outside the Basque country.

The attack occurred at the moment when the Lower House of Parliament was approving the new constitution. The new violence comes at a time when the Government is just beginning to pick up from the summer break and while the Senate is in the process of debating the new constitution.

The identity of GRAPO, in spite of official insistence that it is an extreme left-wing revolutionary group, remains obscure. The possibility that there is a connection between elements of ETA and GRAPO has been suggested but not proved, and so far these latest attacks have done nothing to clarify such a link.

OECD REPORT ON BELGIUM

Weakening of inflationary pressures

BY OUR OWN CORRESPONDENT

PARIS, August 29.

A VERY MODEST overall rate of growth, significant success in bringing down the rate of inflation, but a continued aggravation of the already very high level of unemployment is forecast in the OECD review of Belgium's economic prospects to the end of the year.

The report suggests that the Government has little choice but to continue existing policies, since further direct intervention would make little difference to the underlying trends.

The brightest spot, according to the OECD, is the outlook for consumer prices which could come down from a 7 per cent rise in 1977 to 4.75 per cent this year. It attributes this weakening of inflationary pressures to a more favourable trend in import prices thanks to the appreciation of the Belgian franc, the moderation of international raw materials prices and energy, and the slowdown in negotiated wage increases.

It forecasts no serious problems on the balance of payments front—now in rough equilibrium—but it notes that the country's continued dependence on exports of traditional products like steel and textiles is an element of weakness in export performance.

General growth is expected to rise by 2.75 per cent this year, with gross household incomes expected to show an 8.5 per cent increase and wages falling somewhat short of the 1977 figure of a 10.7 per cent growth. A 2.5 per cent in real disposable household income is expected, allowing for more modest rises in direct taxation. Private productive investment will show at the most a 2.5 per cent rise, almost entirely achieved over the first half of the year, and total domestic demand is forecast to increase by 2.75 per cent in volume.

The two main problem areas identified are unemployment and the extent of official indebtedness. The report says that the 7 per cent unemployment rate will get no better and will probably get worse, with the traditional structural and regional imbalances between supply and demand of labour being laid bare. The emergency schemes to absorb unemployment like boosting public sector recruitment will have no long-term effect, nor are intended to do so, the report notes.

In view of the country's heavy dependence on foreign trade it would be "difficult and probably ineffective" for the Government to try by itself to introduce more expansionary demand management policies, but Belgium is well-placed to participate in international concerted recovery programmes, the OECD thinks.

This year the public sector borrowing requirement could exceed 7 per cent of GNP compared with 2.5 per cent in the early 1970s, due mainly to the burden on Government and social security budgets attributable to the financing of employment policies. Last year interest charges accounted for 10 per cent of Government spending.

The OECD calls for a reform of public finance in the medium term to permit budget policy to remain flexible, but says that it would be wrong to try to curb the deficit substantially now while there is such a margin of unused resources in the economy. In the short-term, efforts should continue to contain the increase in spending.

E. Berlin lauds space venture

BY LESLIE COLITT

BERLIN, August 30.

EAST GERMANY'S "research cosmonaut," Lt.-Col. Siegmund Jähn, who is aboard the Salyut 6 space station with three Soviet cosmonauts, is being compared by the main Communist Party newspaper Neues Deutschland with such illustrious German scientists as Kepler, Leibniz, Hertz Lilienthal and Einstein.

This is only part of the large build-up being given by East German government media to the joint space venture which has lifted an East German into orbit at least three years before the first West German can begin working in the European space laboratory.

A well-known East German nuclear physicist, Professor Klaus Fuchs (67), who is a member of the presidium of the East German Academy of Scientists, said this "historic event, this joy and pride would be unthinkable without the unshakeable friendship of our people with the Soviet people."

East Europeans who are knowledgeable about the Inter-Cosmos project say the Soviet Union has two main aims in allowing an East German, and previously a Czechoslovak and a Polish cosmonaut, to participate in the Salyut programme.

Moscow is trying to demonstrate in a spectacular way to East Europeans that their alliance with the Soviet Union will one day produce the same joint benefits in Comecon, for example, as in outer space. The Soviet Union, in addition, wants to share a larger part of the enormous cost of their space programme with advanced Comecon countries such as East Germany, Czechoslovakia and Poland. The East Germans, in particular, are being urged to contribute more to the Soviet space effort than they have already done.

East Germany's industrial combine, Carl Zeiss Jena, especially developed the costly multi-spectral photo-reconnaissance camera being used on board Salyut 6. As sub-contractors to the Soviet space programme, the East Germans have had considerable expenses in Western currency to obtain technical and scientific equipment, including testing apparatus, in order to meet the exacting Soviet requirements.

Domestically, the space feat is being used by the East German leadership to bolster the conviction of the average East German that he is just as capable as a West German. Thus, the banner headline in Neues Deutschland hailing "the first German in space, a citizen of the GDR." This comes close to nationalism in a country which otherwise refers to its own people as "citizens of the German Democratic Republic" but rarely calls them Germans.

Lt. Col. Jähn is scheduled to stay on board the Salyut 6 station together with the commandant of the Soyuz 31 spaceship, Valeri Bykovski, for a week, conducting a series of experiments with East German-made scientific instruments.

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EUROPEAN NEWS

WEST GERMAN PUBLISHING

Writers' participation

BY ELGIN SCHROEDER IN BONN

A UNIQUE experiment in West German publishing has been saved at the eleventh hour, with the takeover by Athenaeum, a small Munich publishing house, of the controversial "Autoren-Edition" venture from Bertelsmann, the giant of the industry. "AutorenEdition," which has given writers with left-wing views a direct say in the choice of books offered to the public, had become an embarrassment to Bertelsmann which, despite its size, could not disregard the changed mood among West German intellectuals since the upsurge in terrorism in recent years.

The scheme began in 1972 when several young writers approached Bertelsmann — the biggest book publishers in West Germany and one the largest media concerns in the world—with an ambitious idea. They suggested there should be a kind of joint sway by authors and publishing house over the choice of works printed.

The scheme appealed to Bertelsmann—not least because the company was interested in building up a specific line of high-quality literature to supplement its other widespread activities in mass-publishing, music, film and television.

The family-owned business was founded in 1835 in the Westphalian town of Guetersloh by Carl Bertelsmann who specialised in printing prayer and hymn books for the local Calvanist community.

It has now emerged as a media concern with an annual turnover of nearly DM3bn—but that first religious impulse still runs strong. The present board chairman and great-grandson of the founder, Herr Reinhard Mohn, describes his "intensive Christian upbringing" as a determining factor in his life's work.

Book clubs are the main success formula worldwide. The Bertelsmann clubs now have a total of 8.2m members—in Germany, Europe, and Latin America. In Britain, a Bertelsmann subsidiary called Leisure Circle opened at the end of last year.

The books offered cater to the readers of bestsellers rather than to the intellectuals. In a stock German phrase, Bertelsmann was often ridiculed for publishing for "Lieschen Mueller," which translates perhaps as "Tom, Dick and Harry." To counteract that, Bertelsmann wanted a literary showpiece.

AutorenEdition was intended to fulfil that desire. It was described in a company leaflet as "a progressive model for young authors who edit their books on an independent basis under the Bertelsmann umbrella."

But right from the beginning, there were conflicts in the scheme. Left-wing authors for instance were expected to work under a conservative, Protestant publisher. The Bertelsmann company aims are defined in a charter which says that the company "seeks to be liberal and forward-looking and to advance the cause of freedom of the individual in society to form his or her own opinion," but which adds that "encouragement is given to the development of different attitudes within the limits set by a basic political conviction." The charter stresses service to the public, advocates a democratic society based on the West German constitution and supports the principles of the free market economy.

In a new publishing venture, some West German authors have been allowed a say in what types of books should be offered to the public

At the outset, four authors as editors and one Bertelsmann manuscript reader could freely decide which books were to be accepted for AutorenEdition. Although the venture remained a loss maker, it enhanced Beltersmann's reputation by printing novels and poetry generally held to be of high quality.

But it was an irritant too. As early as 1974, Bertelsmann declined to take legal responsibility for a so-called factual novel which AutorenEdition published. Grosses Bundesverdienstkreuz (named after one of the highest West German decorations) by a highly successful controversial writer, Bernd Engelmann, hints at the existence of a high-level right-wing cartel with a Nazi background. Among others, he explicitly mentioned Dr. Hanns-Martin Schleyer, the industrialists' leader murdered by terrorists last October.

By the end of 1977—and particularly in the wake of that murder—the political climate in West Germany had hardened. The statute of the edition's "progressive model" was changed. It now foresaw that three authors (Heinar Kipphardt, Uwe Timm, and Gerd Fuchs) should each have one vote as the editors deciding the programme. As authors' representative, Bernd Engelmann, was to have two votes. A publishing director, Gerhard Beckmann had two votes and the publishing group—in other words the concern—had three more.

As the publishing director—an employee of the concern—was hardly likely to vote with the authors in a dispute involving the interests of the publishing group, the tied vote was built in. In case of a tie, a book was not published.

This is what happened when the two sides could not reach agreement on a new novel, Die Herren des Morgengrauens, by Peter O. Chotjewitz. The resultant dispute also broke up the whole enterprise.

The advertising campaign for the book had started, the contract had been signed and an advance payment already made when Peter Chotjewitz handed in the complete manuscript in May. Previously only a few opening chapters and the end had been known to Bertelsmann. Soon a string of demands for changes reached the author, who tried to comply. But he was not ready to change the structure of his book or its general political direction.

The action of the complex novel is played out among a group of people accused of giving at least moral support to terrorist activities and view of society. The key—and clearly autobiographical—figure is an author and lawyer investigated by police for allegedly supporting terrorism. The author is writing a book about a man with a terrorist friend called Andi (felt by some to be a reference to the late terrorist, Andreas Baader), who is compared with a historic Italian freedom fighter.

This in particular seems to have given rise to he legal and political misgivings of the Bertelsmann staff. Herr Beckmann, however, insists that the decision not to publish the novel was taken on purely literary, aesthetic grounds as the author "was not able to reconcile the two levels of his book."

The editors of AutorenEdition and Bernd Engelmann then told the public of their vote for the author and mentioned "disturbing goings-on" at Bertelsmann. The concern promptly claimed they had gone against the AuterenEdition's statute and scrapped the experiment.

Peter Chotjewitz whose book has now been accepted by another West German publishing company, felt that the rejection of his novel was an "obvious case of censorship." Bernd Engelmann went so far as to say that Bertelsmann had only waited for something like the Chotjewitz affair to get rid of the AutorenEdition which had become an embarrassment. But Herr Beckmann emphasises that authors' participation in publishing cannot work if democratic rules are not followed.

Apel warns on medium range N-weapons

By Adrian Dicks

BONN, August 29.

THE U.S. Administration has been given a firm, if veiled, warning by Herr Hans Apel, the West German Defence Minister, that the "grey area" of medium-range nuclear weapons must be brought closer to the forefront of the current round of strategic arms limitation talks (SALT) with the Soviet Union.

Herr Apel said in a little noticed speech to a Social Democratic Party defence symposium last week that Washington has accepted West German arguments on the grey area weapons, such as the Backfire bomber and SS-20 missile.

These weapons were not strategic in the context of the bilateral U.S.-Soviet military balance, Herr Apel noted, but their yield was great enough to constitute a strategic threat to the European NATO countries. Yet NATO had no exactly comparable systems to set off against them in the SALT round.

"I stress that SALT is to be judged favourably in the light of a stable strategic balance," the West German Minister said. "But the world power interests of the U.S., and the security interests of the alliance as a whole, need to be more closely bound together.

"Strategic stability, both global and regional, must not only hold true between the world powers, but must be proved both within Europe and for Europe."

Herr Apel added that President Leonid Brezhnev had declared himself ready to negotiate over the Soviet medium-range potential during his visit to Bonn last spring, leaving room to hope that this potential threat to the West could be reduced.

It was now up to both the super-powers to widen the SALT agenda to include medium-range weapons in an overall strategic system of stability. Yet at the same time as trying to expand the arms limitation process, NATO must prepare to strengthen its own defences in response to the Soviet superiority in medium-range potential.

● A Romanian official who vanished in West Germany earlier this month has defected and revealed that a Communist spy is active at the highest levels of the West German establishment, the newspaper Bild said today, Reuter reports. Mr. Ion Pacepa was reportedly a high-ranking secret police officer in the Romanian Ministry of the Interior.

OVERSEAS NEWS

Gulf security a key issue in Hua's Tehran talks

BY MICHAEL TINGAY — TEHRAN, August 29.

CHAIRMAN Hua Kuo-feng arrived here today from Yugoslavia for a three-day visit to Iran, the first of its kind to a non-Communist state by the leader of the People's Republic of China.

The Chinese leader was greeted at the airport by the Shah. The two leaders presided over a full military ceremonial with 21-gun salute and a goose-step march-past. Chairman Hua went on to a symbolic handing over of the golden key of the city before leaving for the Golestan Palace and a banquet.

Iran opened diplomatic relations with China in 1971 when the Shah was asserting his position in the Third World. The build-up to the present visit came with trips to Iran by China's Deputy Foreign Minister in April and Mr. Huang Hua, the Foreign Minister, a month later.

In July this year Mr. Sung Chen-ming, China's Petroleum Industry Minister, visited the oil fields of Khuzistan in south-west Iran. There has been talk of possible Iranian participation in the development of China's oil industry. China imported 300,000 tons of oil from Iran last year but the oil trade is regarded as of greater importance diplomatically than economically.

Chairman Hua's visit comes after two years of private correspondence between the two leaders which began on the initiative of Chairman Hua in October 1976 shortly after the arrest of the gang of four, according to a diplomat close to the Chinese. It appears that discussions by letter became so involved that the Shah felt it appropriate to extend an invitation. Although the Shah issued the invitation it is felt that Chairman Hua was particularly in favour of the visit.

During talks over the next two days Chairman Hua and the Shah are expected to cover a broad range of topics in world politics including the Middle East, and the Soviet Union, with which Iran has close diplomatic and trade ties.

The most important topic likely to be covered in the Middle East is that of the Gulf security pact which has been under discussion for two years. China supports the establishment of a Gulf security pact as a bastion against further Soviet expansion in the area. Chinese leaders are believed to have indicated their view in talks in May with an Omani delegation which visited Peking.

The Chinese visit is taking place against a background of serious internal political crisis. While festive red flags have been fluttering over the capital, Iran's security forces have been struggling with prolonged disturbances in parts of the country. The violence included a fire in Abadan last week in which 377 people died and the agitation culminated in the dismissal of Mr. Jamshid Amouzegar, the Prime Minister, only two days before the Chinese leader's visit. Iraq today handed over an Iranian who was said to have confessed to taking a role in the Abadan fire.

Paul Lendvai reports from Vienna: After nine days of talks in Belgrade and on the Yugoslav President's island retreat of Brioni, Chairman Hua and Marshal Tito decided that they had identical or similar views on many international issues. While there were some differences, they agreed that they were not an obstacle to wider co-operation between the two states and the two Communist parties.

Underlining the friendly atmosphere, the 86-year-old Yugoslav leader embraced his guest this morning before Chairman Hua took off for Tehran.

At a farewell dinner last night Chairman Hua again levelled strong attacks against imperialism, colonialism and hegemonism, which is the code-word for Soviet foreign policy. Marshal Tito told Chairman Hua that China had in Yugoslavia a sincere friend.

Syrian minister flies to Moscow for talks on Middle East summit

BY IHSAN HIJAZI — BEIRUT, August 29.

THE SYRIAN Foreign Minister, Mr. Abdel Halim Khaddam flew to Moscow today probably to discuss Middle East developments in light of the forthcoming Camp David summit conference and the threat of Israeli military intervention against Syrian troops in Lebanon.

Syria and the Soviet Union have strongly opposed the summit and called for a return to the Geneva conference to bring about an all-embracing settlement of the Arab-Israel conflict.

The Soviet Government newspaper Izvestia yesterday accused Israel of deliberately heightening tension in Lebanon to divert attention away from what the newspaper called moves to conclude a separate peace with Egypt. It also said the Israelis were trying to turn the Lebanese Christians into a "fifth column not only in Lebanon but in the rest of the Middle East as well."

Newspapers here today said that Syria and Israel were headed for an outright confrontation in Lebanon.

The Press highlighted statements by Syrian and Israeli leaders yesterday about the Lebanese situation. Syrian President Hafez al-Assad warned that Syrian troops in Lebanon will confront any Israeli aggression here.

Earlier, two members of the foreign relations and security committee of the Israeli Knesset called on Prime Minister Menahem Begin to take quick action to help the Christian population in Lebanon against what they called "annihilation" at the hands of Syrian forces. The two members were Mr. Moshe Aresns and Mr. Yigal Allon.

Syrian troops of the Arab peace-keeping force have been engaged during the past few days in clashes in the north of the country with Christian militias.

The command of the force called it a "mopping up operation" against gunmen in the area. The latest action was carried out yesterday at the Cedars of Lebanon.

The tension has also resulted in recurrence of fighting in the south-eastern suburbs of Beirut, where sniping and sporadic shelling were reported today.

The violence threatened a three week-old ceasefire which was arranged here between Syrian forces and the Christian militias.

President Assad issued his warning after holding talks with the Lebanese Foreign Minister, Mr. Fuad Butros at the Syrian Mediterranean resort of Lattakia yesterday.

The discussions centred on stabilising the situation in Lebanon, it was announced.

Syria maintains about 30,000 troops here which form the backbone of the Arab peace-keeping force.

● **Our Jerusalem Correspondent adds:** Israel is viewing the Lebanese conflict with unease and, according to officials, has conveyed a message of concern to Syria via U.S. diplomatic channels.

The Israelis are on record as saying that they will not stand by and see the Syrian peace keeping force crush the right wing Lebanese Christians who are now regarded here as staunch allies of Israel. Direct military action against the Syrians would be fraught with risks that the Begin Government would just as soon avoid, especially at a time of preparation for the tripartite summit at Camp David.

Last month, Israeli jets went over the embattled Syrians in Beirut as a token warning of what could conceivably be in store. But this kind of gesture cannot be made repeatedly and retain the salutary effect it appeared to have the first time.

Prime Minister Begin and other leading ministers have refrained from public utterance on the latest flare up in the northern part of Lebanon. But several key Members of Parliament yesterday met Mr. Begin and demanded immediate action to relieve the beleaguered Christian community.

Chinese delegate leaves meeting on Vietnam rift

PEKING, August 29.

CHINA'S CHIEF delegate to talks with Vietnam on their bitter dispute has returned to Peking for consultations during a break in the discussions. Informed sources said today that the talks had not been broken off with the return home of the Vice-Foreign Minister, Mr. Chung Hsi-Tung who conducted four sessions this month with his Vietnamese counterpart, Mr. Hoang Bich Son.

The New China News Agency said Mr. Chung had "returned temporarily on business" and it appeared that he had taken advantage of a spell before the next session to report to Peking. Other members of his delegation remain in Hanoi and could deal with any urgent matters that crop up.

The talks began on August 8 and have not followed any regular pattern — some meetings were a week apart, others only days. They deal with the position of more than 1m people of Chinese origin in Vietnam. China says they are being persecuted, victimised, ostracised and expelled by Vietnam. Hanoi denies this and accuses Peking of "inciting" more than 160,000 people to cross the border.

Mr. Chung said at the fourth session on Saturday that Vietnam had turned down Peking's proposals for a settlement "thus leaving no room for any further consultation." Mr. Son told the same meeting that the proposals were not acceptable and "the talks will get into an impasse."

The two sides bitterly attacked each other at the fourth session over bloody incidents at the friendship pass border checkpoint the previous day. Several people were killed and many wounded and 2,500 people stranded at the pass stampeded into China.

This was followed, China said, by the occupation of a piece of Chinese territory by Vietnamese troops. The New China News Agency said the Vietnamese troops dug trenches and erected barbed wire around the ridge over the weekend but has not said if they are still there.

Reuter.

Rennies chief executive convicted

By Bernard Simon

JOHANNESBURG, August 29.

Mr. Charles Fiddian-Green, the chief executive of the South African transport and hotel group, Rennies Consolidated Holdings, which is controlled by Jardine Mathieson of Hong Kong, was today convicted by a Johannesburg court of contravening South Africa's foreign exchange regulations. Sentence was postponed until tomorrow.

Mr. Fiddian-Green admitted to the court that he had illegally sold the foreign currency equivalent of nearly R60,000 (£35,000) to a person who was not a government-authorised foreign exchange dealer.

Mr. Fiddian-Green's conviction is the latest in a series of developments in which several senior Rennies executives have been linked with police investigations into infringements of foreign currency regulations. Last week the President of the group, Mr. Gordon Rennie, who was found in a Johannesburg hotel room with throat and wrist wounds, was charged with breaking exchange control rules. He is due to appear in court after his discharge from hospital.

Meanwhile, the Board of Rennies decided at a meeting yesterday to "re-allocate" the duties of two senior directors who have been missing from South Africa for over a week, and are believed to have been questioned by police in connection with investigations into foreign exchange irregularities.

The men concerned are Mr. Laurence Parry, the managing Director in Southern Africa of Holiday Inns (a Rennies subsidiary), and Mr. Gerry Wiehahn, who is responsible for Rennies liquor and manufacturing divisions. Mr. Parry and Mr. Wiehahn were warned last Friday that unless they returned to their desks by yesterday they would lose their jobs.

Referring to Rennies position as a company, Mr. Fiddian-Green was this morning reported as saying that "to the best of my knowledged and belief, the company is not involved nor has been involved in any conspiracy to funnel money out of the country, nor has in infringed the fundamental requirements of the exchange control act."

It is known that a senior Jardine Mathieson executive is currently in South Africa to assess recent developments at Rennies.

Sudan moves on hoarding

By Alan Darby

KHARTOUM, August 29.

PRESIDENT JAAFAR Mohammed Nimairi has ordered the drawing up of tough new legislation to combat hoarding and black market dealing in consumer goods. He told the Council of Ministers he was considering bringing such violations under the jurisdiction of the harsh State Security Act which deals with offences like sabotage of the economy and underground political activity. The act carries penalties including confiscation of property after trial by military courts.

The President also said a committee was currently drawing up new austerity measures. Since the Sudanese pound was devalued last June, prices of consumer goods have risen steeply, causing widespread resentment. Distribution problems, aggravated by unusually heavy rains and flooding, have largely been to blame, but merchants have taken advantage of the shortages coupled with confusion in the public mind over the effects of devaluation to place goods under the counter for sale at black market prices.

Kenya's headmaster ready to follow the Old Man

BY JOHN WORRALL IN NAIROBI

NO ONE could find it easy to take over from Jomo Kenyatta, the formidable and revered old warrior in whose huge shadow all Kenya lived for nearly two decades.

Mr. Daniel Arap Moi, formerly Vice-President, is a man of totally contrasting character and life-style, a respected, headmasterly figure who has been thrown into the fierce limelight of succession, if only for a constitutional period of three months, during which a new President has to be elected.

Last week the Kenya Cabinet made it clear that Mr. Moi was to be referred to as "the President" in future, not as the "Acting President." It was a mark of respect and may, observers believe, be a hint from the establishment of how things might eventually shape.

In the many years he has been Vice-President, Mr. Moi has lived very close to Mr. Kenyatta. He was among the most trusted of all the advisers, and seemed to be especially chosen to transmit to the public Mr. Kenyatta's constant admonitions on brotherly and inter-tribal love and co-operation, the only foundation on which, the old man believed, a unified and successful Kenya could be maintained.

Mr. Moi opened hundreds of conferences, seminars and meetings on behalf of Mr. Kenyatta. He travelled all over the world to represent the President at international conferences

He has also been an indefatigable traveller inside Kenya. He addresses school speech days all over the country, public meetings of all kinds, and countless "harambee" (self-help) meetings to collect funds for churches, hospitals and schools.

Mr. Moi's tall, dignified figure was seen everywhere. He was always there to meet Mr. Kenyatta officially when the old man made a public appearance.

Mr. Moi is 54 and comes from a poor farming family in the Baringo district of the Rift Valley Province. He is a Tugen of the Kalenjin group, a small tribe more noted for its athletes than for its politicians. He trained as a teacher, became a headmaster, and later taught at a teacher training college.

He has taken a great interest in youth welfare and education ever since, and is Chief Scout of Kenya, a country where the influence of Baden Powell, who was buried here, still lives on.

Mr. Moi is the longest sitting member of the Kenya National Assembly and his political experience goes back to 1955 when he was appointed to the Colonial Legislative Council, one of six African members. He led the fight for the African vote, which succeeded in 1957. Mr. Moi was one of the first eight Africans to be elected members of the old legislative council.

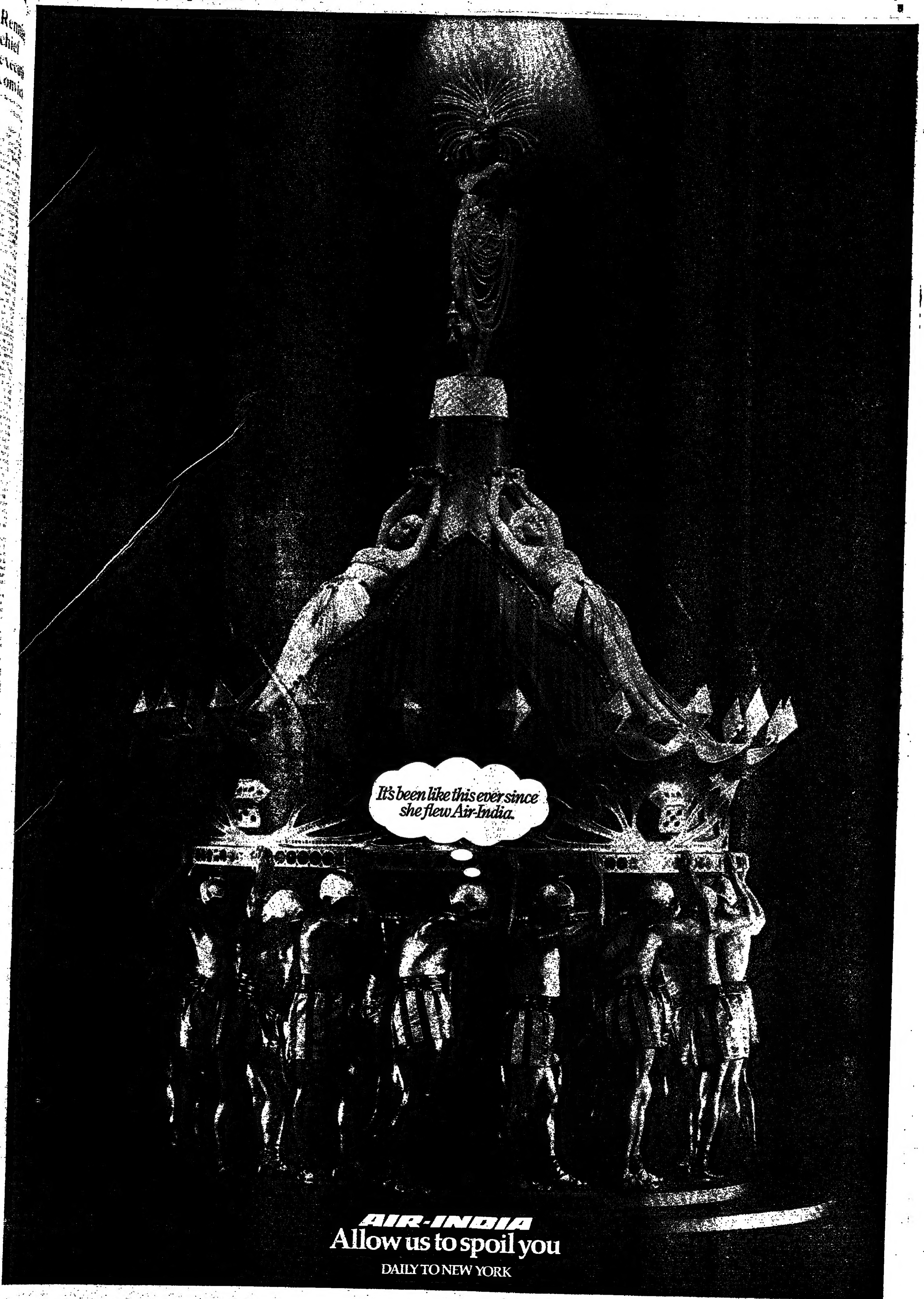
Intimately involved in the run-up to independence in 1963, Mr. Moi was leader of the KADU (Kenya African Democratic Union) in oppositon to Mr. Kenyatta's KANU, but entered a coalition with Mr. Kenyatta to form the transitional Government. When Mr. Kenyatta became Prime Minister, Mr. Moi was appointed Home Affairs Minister, a portfolio he has held ever since.

Mr. Moi has devoted himself to the eradication of tribalism, nepotism and corruption in public affairs, evils never far from the surface in Kenya.

As a member of a small tribe of little account in the undercurrent of tribalism in Kenya affairs, it was believed that Mr. Kenyatta found him indispensable in providing a neutral screen against the tribal pressures emanating especially from the main groups, the Kikuyu and Luo, round the President.

Mr. Daniel Arap Moi.

Those who know him say he is a tough and formidable poltician who, without the inhibiting hand of Mr. Kenyatta, could be ruthless with opponents. He lives a quiet life, does not drink or smoke, and keeps his staff on their toes by arriving at his office every morning at 6.30 am. Mr. Moi is married and has two children, a son at school and a daughter, studying in the U.S. Mr. Moi has a farm and, like all Kenyan ministers, business interests. A European who works closely with him said: "He is a great gentleman, very charming and a marvellous friend to have."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DAILY TO NEW YORK

AMERICAN NEWS

Nicaragua coup bid raises tension

By Joseph Mann

MANAGUA, August 29.

THE NICARAGUAN National guard said last night that it had discovered and frustrated a military and civilian plot directed against the government of President Anastasio Somoza.

An official spokesman said that conservative elements in the Guard, fearing that Gen. Somoza would resign, and that some other group would come to power, moved to assume control themselves.

The situation, however, is still not clear, although the president remains in office and a number of military officers have been arrested.

The Somoza family, which has controlled Nicaragua for 42 years, has up to now counted on the full support of the National Guard, the only military and police force in the country, despite severe pressures from guerrillas and non-violent opposition groups.

The National Guard plot came as a surprise here, has further weakened the President's position, and has intensified the political tension.

On Friday, Nicaraguan businessmen and opposition politicians called a general strike, aimed at forcing Gen. Somoza to leave the presidency. Earlier last week, the government suffered another blow when members of the left-wing Sandinist Liberation Front guerrilla group took hundreds of hostages in the Congress and two ministries here.

The administration acceded to a number of demands by the guerrillas, including the release of 58 political prisoners, a ransom of $500,000 and safe conduct for themselves and the prisoners to Panama.

This was a humiliating experience for the National Guard and the regime. Gen. Somoza has been the target of demonstrations, violent protests, strikes and stepped-up guerrilla activity since the beginning of the year.

It is believed that the release of the political prisoners, many of whom engaged in armed attacks on the National Guard, caused consternation in the 7,500-strong force.

The national strike continued today, but its effectiveness was patchy. Public transport and hotels were functioning, some shops were open and traffic was normal here in the capital.

Gen. Somoza said yesterday that the strike has been only 8 per cent effective in the capital and about 40 per cent in rural areas.

The President has asked Congress for permission to leave the country, there being a constitutional requirement that he seek such permission before going. This has raised more doubts about his future.

$4.1m aid fund for Caribbean region approved

By Tony Cozier

BRIDGETOWN, August 29.

A TECHNICAL assistance fund of $4.1m for various projects in the region, has been approved by the Carribean Development Bank.

The money is to be disbursed over the next four years and will cover projects preparation, advisory services, training and studies in member nations. Priority will be given to the needs of the less developed countries.

According to a statement, the programme will complement the bank's lending activities and capital assistance approach to the development problems of its clients. The bank expects to become a major source of technical assistance in the region.

Agreement on the establishment of the fund was reached at a directors' meeting in Bridgetown. The United States agency for International Development is contributing $1.84m to the fund.

U.S. COMPANY NEWS

Warner-Lambert to acquire Entenmann's: Emery Air Freight earnings rise: Investors expect increased Servomation bid—page 39

Miners' strike costs Peru $60m in foreign exchange

BY OUR OWN CORRESPONDENT

LIMA, August 29.

PERU HAS so far lost $60m in foreign exchange earnings as a result of the national strike by miners, now in its fourth week, according to the Central Bank President, Dr. Manuel Moreyra.

He said that the losses will increase Peruvian dependency on foreign investment, deepen the domestic economic recession and reduce consumption. Peru has no international currency reserves, he said, and must not default on its debts.

Mineral exports were expected to make up half of total Peruvian revenue from exports this year. Exports were expected to be worth $1.896bn, according to figures prepared last month for the International Monetary Fund, of which $874.4m were to come from copper, iron, silver, lead and zinc exports.

The daily loss in mineral sales since the strike began, estimated at $2.5m, also seriously affects Government income from export taxes of 17.5 per cent on traditional exports, and from income taxes collected monthly from mining companies.

Also, companies such as the State-owned Centromin, which operates the former Cerro Corporation mines in central Peru, are running out of metal stocks to supply local manufacturers. This could set off a chain reaction of further shortages of products, sales and taxes, a company official says.

The losses will also wipe out hope of a small trade balance in 1978, which would have been the first since 1973, unless the shortage of foreign currency also causes a drastic reduction in imports.

The miners' federation has rejected a government offer to lift the state of emergency in mining provinces and review claims for re-hiring of dismissed workers on a case-by-case basis, if the miners return to work. Sr. Victor Cuadros, a federation leader, says that dismissed workers and union leaders must be re-hired before work restarts.

The U.S.-based Southern Peru Copper Corporation, which operates the huge Tuquepala and Cuajone mines, is offering dismissed miners severance payments equivalent to some £3,000.

The management at the state-owned Cerro Verde mine at Centromin, and at the main refinery in the port of Ilo, are offering similar sums. Cuajone, the biggest single earner of foreign exchange in the country, is the only mine still operating.

Reuter adds from Houston: The Peruvian State oil company Petroperu, expects several U.S. oil companies to sign agreements before the end of the year to explore for oil in Peru, the company general manager, Sr. Alberto Bruce, said.

Belco Petroleum is expected to sign an agreement shortly to explore in the offshore D-3 zone, he said. Belco is producing crude oil at a rate of about 30,000 barrels a day off-shore in northern Peruvian waters.

Sr. Bruce declined to identify the other exploration companies, but said that Mapco Group is expected to sign a contract soon to undertake secondary recovery operations in the Talara coastal region of northern Peru.

He said operating conditions in Peru are better than they were a few years ago when some companies pulled out.

Car safety warning to Ford

BY JOHN WYLES

NEW YORK, August 29.

FORD Motor Company is facing still more controversy over the safety of some of its vehicles, following a warning from the Department of Transportation today of a possible transmission defect which could occur in an estimated 9m cars and trucks.

The Department's move may be the prelude to eventual recall of these vehicles, manufactured between 1970 and this year. This would be the largest recall in the history of the U.S. motor industry, and would comfortably surpass the record held by General Motors, which recalled 6.7m Chevrolets in 1971.

The National Highway Traffic Safety Administration has been investigating the possible transmission problem for the last 10 months, and is said to be assembling painstakingly a case which, it believes, would almost certainly be tested in court by Ford.

The problem stems from an alleged tendency of some Ford vehicles, fitted with automatic transmission, to jump from park into reverse when the engine is running. Some tests have apparently revealed that this shifting of gears takes place even if the emergency brake is on.

The NHTSA says that it has had reports of 23 deaths, 259 injuries and 777 accidents which have been blamed on the transmission problem.

The warning today is apparently intended, not only to alert consumers to the problem but also to elicit further evidence of malfunctions. Ford said this year that its own investigations had not turned up any transmission defects.

Ford is already recalling 1.5m of its Pinto and Bobcat small cars to instal plastic shields, designed to reduce risks of fire when these cars suffer a rear-end collision. In addition to the expense of this exercise, estimated at up to $40m, the company is involved in a number of court cases brought by people to claim damages for injuries or loss of life in accidents involving these cars.

Such has been the volume of bad headlines recently that some investors have become increasingly concerned about the company's management and overall direction. Anxieties were strengthened when Mr. Lee Iacocca was sacked from the presidency early last month after his personal differences with the company chairman, Mr. Henry Ford II, had apparently become insurmountable.

Inevitably, much of the criticism is focussed on Mr. Ford, whose problems have been accentuated by a shareholders' suit alleging that he has misused company property and taken payments from a supplier.

Lastly, the company is being investigated by the Department of Justice after allegations that it made an improper payment of $1m to win a contract in Indonesia.

New member of Fed board

BY DAVID BUCHAN

WASHINGTON, August 29.

PRESIDENT CARTER has nominated Mrs. Nancy Teeters, chief economist for the House of Representatives Budget Committee, to be one of the seven Federal Reserve Board members.

The appointment of Mrs. Teeters—if confirmed by the Senate, she will be the first woman to serve on the board—is to fill the remainder of the term of Dr. Arthur Burns, which is to expire on January 31, 1984. Dr. Burns resigned from the board after Mr. Carter declined to retain him as Fed chairman.

In her present job, Mrs. Teeters has gained a reputation for accurate economic forecasts, often less optimistic but more accurate than those prepared by the Administration.

One indication that Mrs. Teeters is unlikely to be awed by her new post was her recent sharp dismissal of the suggestion from some of her prospective Fed colleagues that, as a woman, she might like to concentrate on consumer finance and matters of importance to the housewife.

GM's S. Africa race move

BY JOHN WYLES

NEW YORK, August 29.

GENERAL MOTORS is to spend nearly $4.5m on integrating facilities at its South African plants and expanding training facilities for Africans and non-whites.

The plan was presented by Mr. Elliot Estes, the company's chairman, as further progress in implementing the "Sullivan principles" embodied in a code of conduct for U.S. firms operating in South Africa. The code was devised early last year by the Reverend Leon Sullivan, a General Motors director, to curb racial discrimination in employment and to improve the quality of life of Africans. The code has been criticised recently and its effectiveness has been questioned by U.S. student and church groups.

More than 100 U.S. companies subscribe to the code and both General Motors and its rival, the Ford Motor Company, have been anxious this year to stress efforts being made on behalf of their non-white employees in South Africa.

Mr. Estes said today that when completed General Motors' plan will mean full integration of dining facilities and of locker rooms and lavatories. Expanded training facilities will almost triple in-plant capability for training Africans and non-whites for supervisory and management positions.

Claiming that the company had taken a leadership role in advancing opportunities for non-whites, Mr. Estes said: "General Motors is in South Africa to serve the market to the best of our ability while obeying the laws of South Africa and the U.S." The company employed 4,000 people directly and many thousands more were employed by its dealers and suppliers.

Earlier this year, Mr. Henry Ford, chairman of the Ford Motor Company, stressed his company's commitment to greater racial equality among its 2,400 employees in South Africa. After visiting the country for the first time in 10 years, Mr. Ford denied that the company's employees were among the lowest paid in South Africa.

He said that 1980 was the target date for ending segregated eating at the company's plants. Training programmes for blacks were being significantly expanded.

Argentine boundary anger

BY OUR OWN CORRESPONDENT

BUENOS AIRES, August 29.

A WAR between Argentina and Chile over their boundary dispute "may be the only alternative" left, according to Sr. Osiris Villegas, the retired army general who led the Argentine delegation in recent talks with Chile over territory near Cape Horn at the southern tip of South America.

Last year, an international court stated that three islets near the Beagle Channel should belong to Chile. Argentina—which considers that Chile, a Pacific Ocean country, has no right to territory by the Atlantic—unilaterally declared the award null and void.

Argentine-Chilean negotiations to settle the dispute have been suspended. November 2 is the deadline for them to end.

Reuter adds: The Argentine Education Minister, Sr Juan Catalan, has resigned, following a conflict with university authorities, official sources said here today.

He presented his resignation to the President, Gen. Jorge Videla, after the rector of Buenos Aires University refused to implement reforms advocated by the minister.

U.S. RESEARCH AND DEVELOPMENT

Little money for new ideas

BY CAROLE KORZENIOWSKY IN NEW YORK

U.S. GOVERNMENT and business circles are becoming concerned at the decreasing level of finance devoted to some firms of Research and Development—a decline which appears to coincide with the loss of U.S.'s technological advantage in key industrial sectors.

On the surface, there appears to be no great cause for anxiety. According to the annual assessment by the National Science Foundation of R and D spending, based on statistics gathered by the Census Bureau from 11,500 companies, research spending rose by 12 per cent in each of the previous two years. This is about double the rate of inflation and this appears to represent a real increase.

Two other sources of R and D analysis, Business Week's third annual scoreboard of R and D spending by 624 companies, and McGraw-Hill's 23rd annual survey of business plans for Research and Development expenditures, tended more or less towards optimism.

But Government officials see it a bit differently. They are concerned with a different form of R and D—so-called basic research—which is often very theoretical, including non-goal orientated programmes.

While basic research has been climbing in the past two years at a rate of 10 per cent (in constant dollars), it comprised only 3.5 per cent of all industrial R and D spending. And officials at the National Science Foundation are expecting a slow-down this year.

As the decline appears to coincide with the loss of a technological advantage in certain U.S. industries (steel, consumer electronics, and motor vehicles to name a few—and resultant far reaching implications for the economy, it is being watched closely.

Last Spring, President Carter initiated a 14 month, 28 agency review of the role Government plays in aiding industrial innovation. In an accompanying statement he pointed to the crux of the problem: "In recent years, private-sector, research and development has concentrated on low-risk, short-term projects directed at improving existing products. Emphasis on the longer-term research that could lead to new products and processes has decreased."

A study released by the Commerce Department in 1977 dramatically underlined the relationship between research and the economy. Encompassing the period from 1957 to 1973 it found that technology-intensive industries created jobs 88 per cent faster than others and their productivity grew 38 per cent faster. In fact from 1929 to 1969, 45 per cent of America's economic growth was directly

Last January, the National Science Foundation, the agency responsible not only for official R and D figures but also for a great deal of the federal grant money to scientific endeavours, changed its guidelines. Although before the support went exclusively to university projects unless a private project could be adjudged of "national importance," the foundation now "especially welcomes proposals for co-operative research projects involving both university and industry." A relatively meagre sum, $4.5m has been set aside this fiscal year for the joint grants, but the sum is expected to rise as the programme is increasingly utilised.

Private industry claims that the federal Government does not actively support research and that its regulatory policies are acting as a strong deterrent.

The problems run deep and will not easily be solved. They are related to rapid and unpredictable inflation which leads to high interest rates, a shortage of venture capital, fewer tax revenues and thus decreased Government spending.

WORLD TRADE NEWS

BL faces boycott dilemma on bus exports to Israel

BY MAURICE SAMUELSON IN LONDON AND L. DANIEL IN TEL AVIV

BL'S BUS and truck division is again trying to become a major supplier of buses to Israel, but without infringing the Arab boycott regulations which previously hampered its sales in the Middle East.

A sales team from the division held talks in Israel last week with Egged, the inter-urban bus service, which will be in the market for some 2,500 buses over the next five years. At present prices, these would be worth £55m.

The initial deal would be for 150 built-up buses, worth £3.4m. However, Mr. Meir Amit, the Transport Minister, and Mr. Daniel Halperin the Finance Ministry adviser on Arab boycott affairs, have said they would not sanction the deal without proof that Leyland has reversed its position on the Arab boycott.

Mr. Amit is opposed to the importation of 150 completed chassis. He wants them assembled in Israel, to permit inclusion of locally-produced parts.

BL said yesterday that this had not been mentioned to the sales team in Israel last week but that it would certainly be considered. Mercedes, of West Germany, and Scania, the Swedish company, are also interested in the order.

BL is determined to stay off the Arab blacklist, from which they were finally removed in 1976 after their Israeli subsidiary went bankrupt. However, while the sale of completed vehicles or kits might not infringe the boycott rules, the situation might be more delicate if it involved assembly plants, owned directly or by a BL subsidiary.

Another factor may be that BL has made only slow progress in Arab markets following removal from the blacklist. In particular, hopes of establishing a Land Rover assembly plant in Egypt have faded.

Israeli officials in London yesterday denied that the Government was politically motivated in insisting on the assembly of BL buses in Israel. They claimed that one of the other companies with whom discussions had been held was considering the Israeli proposal.

Egged is not the only potential customer. The Dan Co-Operative, which operates in greater Tel Aviv, still has 700 Leyland vehicles on the road for which it continues to require parts.

Tour operators, some of whom use Leylands, are also planning to expand their fleets to cater for the greater number of tourists expected to take advantage of the introduction of charter flights to Israel.

Impatience over N-S dialogue

BY K. K. SHARMA

BUENOS AIRES, August 29.

IMPLICIT IN the gathering here of around 150 delegations led mostly by trade or planning Ministers, is the feeling that the north-south dialogue has either failed or will, at best, make progress too slowly to be of any use to the developing countries.

Hence, an effort is to be made by the developing countries to use their resources and technology for their own benefit.

The UN Secretary-General, Mr. Kurt Waldheim, tomorrow opens the first conference on technical co-operation among developing countries, already being called familiarly as TCDC.

Although Third World delegations are reluctant to call it a confrontation with the advanced countries, it is certainly an effort to press ahead without their participation in a new movement.

The TCDC movement aims at transfer of technology developed by Third World countries to others in the same category. By implication, it will promote trade among the developing countries in which the advanced countries will have no real role, and the efforts that will be made in the two-week conference shows a clear impatience with the progress of the north-south dialogue.

As a formidable "plan of action" prepared by the conference secretariat says: "The conference comes at a critical point in the evolution of relations among developing countries themselves and between them and the developed countries."

The hope is that "new bridges" will be built to initiate links and trade among developing countries to enable them "to transfer and pool knowledge and experience for their mutual benefit and for national collective self-reliance."

The "group of 77" (developing countries) has held formal and informal meetings. Among those taking part are delegations from China, Arab countries, the non-aligned group and Africans.

They are trying to present a united front but face difficulties in view of the belief of some that the more developed among the group will seek to cash in on the new flow of exchange of technology and trade. Third World diplomats believe, however, that these difficulties will be overcome.

OECD countries are also represented at the conference and are thought to be preparing to offer their co-operation for decisions made in the next fortnight. Their role is, however, expected to be minimal.

Aircraft offer from Australia

By D. P. Kumar

NEW DELHI, August 24

AUSTRALIA has offered to enter into a production collaboration arrangement with India's state-owned Hindustan Aircraft company for manufacture of small aircraft for use on feeder routes.

The offer was made by Mr. R. V. Garland, Minister for Special Trade Representations, who was here in connection with the ESCAP conference. He told India's Civil Aviation Department that the Nomad aircraft, developed and built in Australia, was eminently suitable for India's feeder airline requirements.

The Novad 24 A has 126 seats and is claimed to be the most economical aircarft in its category. The Australian government has a particular interest in the aircarft as it is manufactured by one of its divisions — the Government Aircraft Factory of Australia.

The proposal may find favour in New Delhi as India is considering the establishment of third-line air services. But the discussions are still at an early stage.

Mr. Garland told a Press conference that he hoped India's much improved balance of payments position could open up new opportunities for sales of Australian equipment and raw materials.

Study says airliner sales will total $204bn by 1995

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S airlines are likely to buy nearly 9,000 new airliners of all kinds between now and 1995, at a total cost of $204bn.

A new study of the potential world market for civil aircraft, prepared by the Filton-Weybridge Division of British Aerospace, suggests that the biggest segment of the market is for intercontinental (long-range) aircraft, with airline needs assessed at nearly 2,200 aircraft worth over £37bn.

The next biggest sector is that for single-aisle short-to-medium range aircraft, seating between 140 and 190 passengers, where a need is foreseen for over 1,800 aircraft, worth about £16bn.

A nearly comparable market of 1,700 aircraft is likely to exist for bigger aircraft in the twin-aisles short-to-medium range category, seating 200 to 250 passengers each and worth about £18bn, with over 1,600 aircraft in the 250-350 seat category also likely to be sold.

The market for short-range aircraft with 70-130 seats each will also be substantial, accounting for over 1,600 aircraft, worth in all over £7bn.

British Aerospace is interested in all areas except the long-range market (which is likely to be the prerogative of companies like Boeing with the 747 Jumbo jet and McDonnell Douglas and Lockheed with their long-range DC-10 and L-1011 tri-jet aircraft).

Ban on interests in S. Africa urged

BY JOHN WALKER

STOCKHOLM, August 29.

A COMMITTEE appointed by the Swedish Government has recommended that industrial capital investment in South Africa and Namibia by Swedish companies should be prohibited, as should the establishment of subsidiary companies.

Nine major Swedish concerns had production facilities in South Africa, including Alfa Laval, ASEA, Atlas Copco, ESASB, Fagersta, A. Johnson, Sandvik, and SKF. Electrolux withdrew its facilities in 1977, leaving the other eight which together employ about 5,500 workers.

REGIONAL INVESTMENT

Wales looks to W. Germany

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

WEST GERMAN investment in manufacturing facilities in Wales is growing and is now second in importance to that undertaken by U.S. concerns.

But because the size of the German company is considerably smaller than that of the American, there would seem to be a special role for German investment to play in developing Welsh industrial life.

These points are brought out in a booklet, West German direct investment in Wales . . . a promising start, by Professor Glyn Davies, Sir Julian Hodge, Professor of Banking and Finance at the University of Wales Institute of Science and Technology, in Cardiff, and commissioned and published today by the Development Corporation for Wales.

Prof. Davies points out that German investment has been particularly beneficial to Wales because of its character. Germany is a country with a considerable emphasis on non-metropolitan small concerns.

Quoting Mr. Graham Bannock, who studied smaller businesses in both Britain and Germany for the Anglo-German Foundation, he points out that there are nearly 12 times as many manufacturing companies employing fewer than 10 people in Germany as in the UK.

It is this sort of company, especially if it moves into non-industrial parts of Wales, that can have beneficial effects for the Welsh economy, he states, and "complement the pattern of investment by the much larger U.S. and Japanese multinational companies."

Wales, he concedes, needs its share of big companies in order to provide alternative sources of work for men displaced by the run-down of older industries such as iron and steel. But he goes on to say that "there would seem to be a special role for German companies to play in helping to fill the huge gap that exists for the very small manufacturing company."

Most of the German companies which have set up plants in the Principality have done so in the last seven or eight years. At the start of 1970 there were just seven, with Thyssen Engineering in Llanelli the largest. Now there are 20 and another one will be announced shortly.

Those 20 provide work for about 2,000 people, which is well under half the number employed by Hoover alone, the largest US company in Wales. Part of the importance of the 20 is that three are in north Wales and six in west Wales, areas that badly need manufacturing opportunities.

Prof. Davies does not overstate the importance of the Germans. He comments that they have a "modest but growing significance in our economy."

In terms of investment and employment, American companies account for approximately 90 per cent of overseas spending in Wales. Of some 140 overseas companies which have settled in Wales, probably three-quarters are American.

Of the 18 largest overseas companies, for instance, 14 are from the U.S. and the other two (Alcan Booth and International Nickel) Canadian. Hoover alone employs 5,134 people at Merthyr and is undertaking a big expansion programme, as is Ford at Bridgend. Other leading American companies include STC, Borg Warner, Monsanto and 3M.

The largest German manufacturing company in Wales, Thyssen Engineering by comparison, employed 376 people at the end of 1974 (when the comparative figures were drawn up) and the average of the 20 this year is 93. The average in the overseas companies in 1974 was 416.

The number of German companies attracted to Wales was considerably higher than in either Scotland or Northern Ireland. There are 112 with production facilities in the UK, with Scotland having nine, Northern Ireland 10 (and England the other 72). Northern Ireland has attracted much larger concerns than those opening in Wales, however.

Prof. Davies believes there is scope for considerably more German investment in Wales because the UK as a whole is attracting a relatively low share of German overseas investment.

"If the volume of German investment in Wales were similar to that of U.S. investment in Wales, with due allowance for Germany's smaller population and national income, then the number of jobs provided would rise in round figures from 2,000 to around 13,000. That such a possibility is no dream has been demonstrated by the actual experience of German investment in Ireland."

Wales needs another 120,000 jobs as a bare minimum, according to Prof. Davies, "to make some sizeable reduction in the level of unemployment, cope with over-manning, and with the loss of jobs in contracting industries and, above all, to make some contribution towards raising activity rates."

And he concludes by saying that "West Germany is likely to play a very much more prominent role than hitherto" in undertaking new investment in the country.

West German direct investment in Wales . . . a Promising Start, by Professor Glyn Davies, is available from the Development Corporation for Wales, 15, Park Place, Cardiff.

Awards for Singapore mass transit

SINGAPORE, August 29.

SINGAPORE announced that it had accepted bids from six international groups to undertake preliminary design and cost estimate of the proposed mass rapid transit system, AP-DJ reports. A total of 15 consulting groups from 17 countries applied to do the design.

The British group includes Mott, Hay and Anderson International, Sir William Halcrow Partners and London Transport International.

Other successful groups are from the U.S., Sweden, West Germany, France and a joint U.S.-Australia consortium.

Two pipelines for Escher

THE SWISS engineering concern, Escher Wyss, a subsidiary of the Sulzer Brothers group, has been awarded contracts for an 11 metre diameter distribution pipeline for the Tarbela hydro-electric plant in Pakistan and a pressure and distribution pipe system for the Obravac pumping station in Yugoslavia, John Wicks writes from Zurich.

Together with an order similar to that for Obravac placed by the Waldeck pumping station in Germany earlier this year, the total contract value amounts to some SwFr 60m.

Aer Lingus buys 737s

Aer Lingus has bought four additional Boeing 737s for £15m, increasing the airline's 737 fleet to 14 and the short-haul fleet in 18. The first two aircraft will be delivered direct from Boeing early in 1979. The other two aircraft, due to begin service in 1980-81, have been purchased from the Japanese domestic carrier All Nippon Airways.

Help for shipbuilding

Ishikawajima-Harima Heavy Industries, a major Japanese shipbuilder, has confirmed that Chinese authorities have requested technological co-operation for the modernisation of China's shipbuilding facilities, AP-DJ reports from Tokyo.

Swedes to build dam

Algerian authorities awarded a Swedish BTA engineering group a contract worth $169m to build a dam and irrigation complex in Western Algeria, AP-DJ reports. Work on the dam at Harezza and Parallel irrigation of some 50,000 acres in the Cheliff valley is due to start next month and be completed in 1993.

Laser deal

The British company Solartron has won an order worth just under £1m for laser beam gunnery simulator training devices for French Army tanks. Solartron, of Farnborough, Hants, has carved a £25m niche for itself with a system developed as a private venture.

Plant for Togo

The Swiss engineering concern Brown Boveri, together with Geilinger AG, of Winterthur, and the Swedish company Morgardshammar, is engaged in the building of an electro-steel plant for Togo. The unit, to be commissioned next spring, will have a capacity of 20,000-40,000 annual tonnes of constructional steel. Contract value is given as some Sw Fr 70m.

Venezuelan order

Toshiba Corporation of Japan has signed a $31m contract to supply a turbine and a generator for a steam-power station to a Venezuelan electric power company, C. A. la Electricdad de Caracas.

Nippon Steel licence

Schloemann-Siemag of Dusseldorf said Nippon Steel had granted it a licence to design and produce electrolytic galvanising lines for the European market, said Reuter. The company explained that the lines would be similar to a type in operation at Nippon Steel's Kimitsu works since 1972, with an annual capacity of approximately 350,000 tons.

Phones for Lesotho

The Plessey telecommunications factory at Beeston, in Notts, is to carry out an export order worth almost £1m to provide telephone equipment for Lesotho

Iraqi construction

A group of three Japanese companies received a Y21.2bn order from the Iraqi Ministries of Housing and Construction to build three teacher-preparatory institutes, according to AP-DJ in Tokyo. The companies are Mitsui, Mitsui Construction and Shimizu Construction.

U.S. deficit with Japan

THE U.S. bilateral trade deficit with Japan widened to $1.17bn in July from $1bn in June, Commerce Department preliminary figures show, reports Reuter from Washington.

The data, not seasonally adjusted, show that U.S. exports to Japan were unchanged in July at $1.05bn, while imports from Japan increased to $2.22bn from $2.05bn.

Facsimile agreement

Muirhead Data Communications of Kent, its associate Muirhead of Mountainside, New Jersey, and a U.S. concern, Logetronics, signed a distribution agreement which they say will offer a comprehensive range of newspaper page facsimile communications systems, reports AP-DJ. Logetronics will distribute the combined product lines adn systems in North and South America and Canada.

HOME NEWS

Holiday flight delay up to 36 hours and could worsen

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

DELAYS AT UK and West European airports continued to be severe yesterday as a result of the continued go-slow by French air traffic controllers, despite efforts by the Association of British Travel Agents to ease the situation for British holiday travellers.

Mrs. Margaret Hook, president of the association, asked the French controllers directly to ease hte problem for UK holiday flights to and from Spain. "I telephoned the union, and suggested that having made their point with such total vengeance, they now act to alleviate the situation," she said.

But later, airlines and the Civil Aviation Authority all said that there had been little sign of any improvement, with many flights still delayed for several hours.

The worst hit airports in the UK were Manchester and Liverpool, with flights to and from Spanish destinations in some cases 36 hours late. At Gatwick there were delays of up to 12 hours, but they were much less at Heathrow.

The controllers' work-to-rule was in its fifth day, and is expected to last aonther six days—taking in this coming weekend. Prospects are for more delays, perhaps becoming even more severe as airlines find themselves runing out of aircraft which are stranded at foreign airports and cannot get back home.

At some airports, notably Palma in Majorca, parking space is at a premium, with up to 70 aircraft waiting to get out. For a time over the past weekend the airport was closed to all incoming traffic, in the hope of clearing some of the backlog.

French domestic air traffic was also severely disrupted, with parking space limited at main airports, and many aircraft out of phase. Spanish airports were also badly affected by the French dispute.

Iberia's transfer 'will hit trade'

BY ROBERT GRAHAM

BRITISH BUSINESS interests in Spain have protested against the UK Government decision to transfer all scheduled air services to the Iberian peninsula from Heathrow Airport to Gatwick.

The British Chamber of Commerce said in Barcelona that the move would be detrimental to Anglo-Spanish trade. Businessmen would be downgraded to "second-class status" if they were forced to fly from Gatwick.

Iberia, the Spanish airline, said in London that business passengers accounted for almost 60 per cent of its scheduled traffic between Heathrow and Spain.

The Spanish Government had rejected the proposed transfer over a year ago during talks with UK Government officials, it added.

Iberia had continued to oppose any transfer of services up to August 11, when it last met British Airways to discuss the matter in Madrid.

The Chamber of Commerce protested to the British Airports Authority that the "existing inconveniences of using Gatwick would inevitably place the business traveller at a disadvantage."

The Authority said last night that it was considering the protest, but was unable to take action on the proposed transfer as the decision had been taken by the Department of Trade, with effect from next April.

The Chamber urged the UK Government to defer its decision.

Airport security move

BY LYNTON McLAIN

STRICTER SECURITY for check-in staff at Heathrow Airport is to be considered by British Airways, TWA and Pan Am this morning.

British Airways check-in staff at the airport yesterday called for management to instal 8 feet protective screens round adjacent balconies. Those have been installed round balconies near the desks of El Al, the Israeli airline, in an attempt to forestall terrorist attacks.

The check-in staff also want the British Airports Authority to authorise only ticket-holding passengers near the check-in desks.

The proposals will be considered by the three airlines, then referred to the Airline Operators' Committee for presentation to the authority.

Footwear sales boom but orders still lag

BY JAMES McDONALD

DELIVERIES AND orders of British footwear in April, in terms of volume, continued to lag behind the levels of a year ago, according to the British Footwear Manufacturers Federation.

During April, 11.7m pairs of footwear were delivered—2.5 per cent fewer than in the same month of last year—and in the first four months of this year deliveries were 7.1 per cent down over the same period last year.

In terms of value, however, reflecting inflation, deliveries in April, at £47.8m, were 18.6 per cent more than in April last year, and in the first four months of this year, were up by 9.8 per cent.

Manufacturers' orders during April, at 7.5m pairs, were 49.3 per cent fewer than in the same month of last year. The April orders, although low in volume were high in unit value.

Retail sales, however, continued to be good, with the index for June for all specialist footwear shops (1971=100), 24.4 per cent higher over the year. Sales for the half-year were 20.9 per cent more than in the first six months of last year.

This good retail figure is largely accounted for by imports, which account for 49 per cent of the market.

Now British Aluminium puts up its prices

BY ROY HODSON

BRITISH ALUMINIUM is following Alcan's lead in raising the price of primary aluminium and some products.

The Price Commission has been told that British Aluminium will raise the prices of aluminium ingot and related products by £25 a tonne from next Monday.

Prices of the company's semi-fabricated products will increase as follows: plain flat general engineering quality rolled products by 8 per cent; other rolled products by an average 8 per cent; extrusions by up to 10 per cent.

Last week Alcan Aluminium (UK) announced price increases on some products of 8 per cent on average and gave warning of a new ingot price next month.

Scottish group backs industrial democracy

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SUPPORT FOR the Government's proposals on industrial democracy came yesterday from the Scottish Council for Development and Industry, which said there was a case for progress with caution.

The position taken by the council, which represents management, unions and local authorities, is in contrast to the opposition to the White Paper expressed recently by two other groups, the Engineering Employers' Federation and the Association of Chambers of Commerce.

Mr. John Matheson, deputy chairman of the council, said it was gratifying to see many of the council's recommendations incorporated into the Government's thinking.

The council was still against hard and fast rules being laid down, and believed that individual firms and industries should be encouraged to work out their own solutions to involving workers in decision-making.

A study of eight Scottish companies had shown a desire to improve performance and profitability through involving employees in the affairs of the companies.

Energy industry accounting methods criticised by MPs

BY KEVIN DONE, ENERGY CORRESPONDENT

THE CONFLICTING practices used by the nationalised energy industries in presenting their annual accounts, which can cause considerable distortions in profit and loss figures, have been criticised by a Parliamentary committee.

The Select Committee on Nationalised Industries expresses concern in its latest report, published yesterday, that some of the corporations appeared to be more bothered about the presentation of their annual profit or loss than about the longer-term issue of comparability.

In its Seventh Report, the committee states: "If adequate comparisons of the relative performance of the nationalised energy industries are to be made, and if effective decisions about national energy policy are to be taken, it is essential that similar principles and practices should be applied in drawing up the accounts of the enterprises."

Those giving the committee cause for concern are the British Gas Corporation, the Electricity Council and the Central Electricity Council and the Central Electricity Generating Board, and the National Coal Board.

The report refers to accounting policies that were introduced in 1976-77. These have had an even more marked effect in 1977-78, particularly with the British Gas accounts.

In 1976-77 British Gas for the first time included a supplementary depreciation charge of £102.6m, partly to take account of the increasing cost of replacing assets in a period of sustained inflation.

The effect of the change was to reduce its reported net profits by 76.5 per cent.

The Electricity Council and the Generating Board took advantage of provisions in the Price Code to raise their depreciation charges by 40 per cent. But the National Coal Board has made no such changes.

The Select Committee also makes a series of suggestions for improving the content of annual reports. It recommends that reports should include:

- International comparisons of manpower productivity.
- Statistics on the number of industrial disputes and man-hours lost.
- Statistics on changes in selling price over the year.
- Increases in output and productivity as a result of incentive schemes.
- Greater detail on pension payments.

The committee reaches no conclusions on the conflict between the electricity and gas supply industries over pricing policies.

But it says that in spite of efforts to develop a national energy policy, the nationalised energy industries are still a long way from operating under conditions in which prices are closely related to the cost of resources.

British Rail's 'cut-pricing poached coach passengers'

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITIS HRAIL received criticism yesterday from the Commons Select Committee on Nationalised Industries for attracting coach passengers to certain services through cut-price tickets.

The MPs said that although they supported British Rail's policy of low off-peak fares to fill thinly used trains, care must be taken not to undercut state-run coach services unfairly.

British Rail told the committee that its "big city saver" ticket, now offering the London-Glasgow return journey for £17, had produced 28 per cent more business.

Meanwhile between 1976 and 1977 the number of passengers travelling by coach between Scotland's main cities and London fell by 20 per cent.

The Scottish Transport Group has complained about British Rail's fares policy. The committee says that the railway must ensure that such schemes produce net financial benefit.

British Rail is also told that it should offer similar cheap fares on routes that do not compete directly with long-distance coaches, as evidence that its fares policy is truly based upon off-peak marginal costs rather than a simple desire to attack coach operators' business.

Yesterday's report praises progress with rail freight, which British Rail expects will break even this year.

British Airways' productivity is also discussed by the committee, which agrees that the corporation is competitive on costs but overstaffed.

National Bus is congratulated on productivity improvements in spite of falling passenger numbers.

BL proposes novel campaign to clear Marina car stocks

BY TERRY DODSWORTH

BL CARS is launching a novel campaign to sell out stocks of its current Morris Marina range. An advertising programme openly admits that a revised model is on the way.

The new campaign, due to start next month, marks a significant departure from conventional policy in the motor industry. New models are normally closely-guarded secrets until they are ready to go on sale because of the belief that an announcement makes it difficult to sell the old product.

The main change in the new Marina is expected to be limited to the engine. But Leyland admitted yesterday that this is virtually certain to lead to a more expensive car. One object of the campaign, therefore, is to give motorists the chance to buy at the old prices.

It has also become clear in recent months that the present Marina has not been selling well. Some BL dealers admit that they have had to push the car hard, and they will be offering attractive terms during the run-out period.

The new car is expected to be launched during the Motor Show in October.

BL said yesterday that there should be a fairly wide range of Marinas on offer. Mr. Trevor Taylor, sales director of UK operations for Austin Morris, commented: "In just about all consumer products except cars, the British are familiar with the bargain offer for the "end of run" product.

"This way, the customer knows exactly what he is getting and why — a brand new, T-registered car, with all our normal sales and service back-up, including Supercover, but with a much keener deal than he can possibly get in future."

- Suggestions that BL, the former British Leyland, was having serious discussions on a collaboration agreement with Nissan, the Japanese manufacturer of Datsun cars, were sharply dismissed by the UK company yesterday.

The speculation follows release of a letter from Mr. Gerald Kaufman, Minister of State for Industry, to Mr. Patrick McNair-Wilson, Conservative MP for the New Forest. In it, Mr. Kaufman says that "British Leyland has, indeed, been in discussion with Datsun about technical collaboration on emission control equipment."

No donations

NONE of the clearing banks makes contributions to the funds of the Conservatives or any other political parties. This corrects an erroneous report on such donations in last Friday's Financial Times.

HOME NEWS

Two building bodies attack plans for direct labour

BY MICHAEL CASSELL

PROPOSALS BY the Department of the Environment for the expansion of local authority direct labour building operations have been attacked by two of the construction industry's main representative bodies.

The proposals, published last week, called for a new set of accountancy guidelines to place direct labour operations on an equal footing with private contractors.

They also foreshadowed the spread of direct labour departments beyond their traditional local authority boundaries and suggested new areas of work, including the private housing sector.

In a joint response to the department's plans, the National Federation of Building Trades Employers and the Federation of Civil Engineering Contractors—which today publish their own recommendations for the future of direct labour operations—say the proposals "merely pay lip service to the need for proper accountancy procedures without providing in any way an adequate structure for this to be achieved."

The two bodies say their own proposals are designed to ensure that direct labour operations are required to show whether or not they are providing value for money to their local authorities for any work they undertake. They both say they do not believe there is any justification for direct labour operations, except to carry out basic repair, maintenance and emergency work. They reaffirm their opposition to any direct labour operation expansion, especially into the field of new construction work for other public and private clients, but say that as ministers clearly intend to extend their role, proper accountancy procedures are now essential.

The two federations' own report on direct labour operations says that the calculation of any payment for work done by direct labour departments should be on the basis of the value of the tender for the work and not the actual cost.

The report further recommends that to qualify for inclusion on a selective list of tenderers a direct labour operation should have to provide evidence that it possessed relevant previous experience of the work to be made available, that its performance of such work was satisfactory and that it has the specialist plant available as well as the necessary levels of technical expertise.

Proposals that the viability of a direct labour operation should be tested by reference to its performance over a five, seven or even a 10-year period is, according to the industry, "unrealistic." Instead a period of not more than three years should be stipulated as an appropriate base for examining whether or not a direct labour operation should continue its operations.

Callaghan likely to give election date soon

BY IVOR OWEN, PARLIAMENTARY STAFF

EXPECTATIONS of an early announcement of the date of the General Election strengthened last night when the Prime Minister returned to 10 Downing Street after a three-week holiday on his Sussex farm.

He had consultations with leading members of Labour's election-planning team, and there were further pointers to Thursday October 5 as the most likely choice for polling day.

While Mrs Margaret Thatcher, the Conservative leader, completed arrangements for her visit to Scotland, which begins today, Mr David Steel, the Liberal Leader, insisted that neither Labour nor the Conservatives were likely to score a clear-cut election victory.

He forecast a "hung" Parliament, and gave notice that in that event the Liberals must be assured of a more adequate return from that under the Lib-Lab pact before they agreed to prop up another minority Government.

Mr. Steel, opening an international seminar on "Coalition Governments in Western Europe" at Berwick-on-Tweed, virtually ruled out Liberal participation in a coalition.

He made clear that a minority Labour or Conservative Government must be ready to offer the Liberals a proper political partnership with full backing of its Parliamentary supporters to guarantee implementation.

He pointed to failure of many Labour MPs to back the Government view that proportional representation should have been used for the first direct elections to the European Parliament as evidence of the need for a more effective agreement than the Lib-Lab pact.

He set his face against such hastily contrived deals as that with Mr. Callaghan in little more than 24 hours in March last year, or rushed and abortive consultations as between Mr. Jeremy Thorpe and Mr. Edward Heath in March 1974.

Sir Richard Marsh, the former Labour Cabinet Minister, who had already incensed Labour MPs by announcing that he would vote Conservative at the General Election, added further fuel to the flames yesterday by disclosing that he was to address a meeting of City of London Conservatives on September 5.

An ex-Minister of Transport appointed chairman of British Rail by the last Tory Government, Sir Richard is chairman of the Newspaper Publishers' Association.

Brokers predict £600m surplus

By Peter Riddell, Economics Correspondent

THE SLOWDOWN in demand in the UK is likely to be quite sharp, creating the prospect of much lower monetary demands and a modest current account surplus, according to stockbrokers Laing and Cruickshank.

The forecast is the main theme of a new review of the UK economy. The slower growth should mean that there will be a current account surplus of about £600m in 1979.

The underlying rate of price inflation was likely to rise to 10½ per cent in the first quarter of next year and the 12-month rate was unlikely to fall below nine per cent by the end of next year.

Higher interest rates and a small fall in the rate of retail price inflation from next spring onwards should lead to a flattening of the yield curve, but long yields would remain above the expected inflation rate.

The increase in institutional cash flow was expected to be in better balance with public sector borrowing and personal savings should remain high.

Printers in Britain can tender in EEC

BY JOHN LLOYD

BRITISH PRINTERS will now be able to tender for contracts from the EEC publications office, because the conditions of tender have been eased. Contracts let by the office are worth more than £2m a year.

The EEC had previously stipulated that delivery of work should start within three or four days of the printers receiving copy or proofs.

Since that requirement could normally be met only by printers close to the office in Luxembourg, about 85 per cent of the contracts were let to Luxembourg or Belgian printers.

Under the new conditions, "delivery" will mean "despatch by printer." The office has also agreed that it will be prepared to collect urgent work from printers at its own expense.

The closing date for tenders for the new general printing contracts is being extended by one week to September 8.

Meriden and university unite over motorcycle

FINANCIAL TIMES REPORTER

MERIDEN MOTORCYCLE Co-operative is joining Manchester University in developing a new British cycle with novel features to meet increasingly severe fuel economy, noise and pollution requirements.

The Wolfson Foundation has provided nearly £100,000 for Dr. Jeffrey Rowe, of the Simon Engineering Department, a leading road transport designer, to develop a machine embodying new concepts.

As the sole British representative in the motorcycle industry of any stature Meriden needs models of radically new design.

Fight over nuclear waste stepped up

FINANCIAL TIMES REPORTER

HUNDREDS of anti-nuclear campaigners are expected to lodge objections today against a planning application, made by the UK Atomic Energy Authority, to make test borings for suitable nuclear waste disposal at Mullwharchar, Loch Doon, Strathclyde.

The application to make borings at Mullwharchar is part of the EEC waste management programme and 13 sites have been pinpointed in Scotland.

Kyle and Carrick district council is holding a public meeting, at which the Authority will appear only as a listening body.

A decision on the application will be made in October by the district council's planning and building committee.

Mrs. Kathleen Miller, secretary of the Scottish Conservation Society, which claims to have 9,000 supporters, said: "We will be speaking at the public meeting and will try to draw attention to the plight of Scotland.

"It is being viewed as a nuclear waste dump and we cannot allow it to become a nuclear graveyard."

The Scottish Conservation Society is also planning a world symposium on nuclear waste, to be held in Edinburgh next year.

Among those who have been invited, but who have not yet replied, are: Prince Charles, Mrs. Rosalynn Carter, the Empress of Iran, Mrs. Margaret Thatcher and Mr. Jo Grimond, MP.

Britain's latest nuclear reactors have also come under attack in Scotland from the Scottish Campaign to Resist the Atomic Menace.

The campaigners describe the Hunterston "B" advanced gas-cooled reactor in Strathclyde as an "economic disaster we cannot afford to repeat."

If costs per unit continued to rise at the present level in the coming year nuclear electricity would be more expensive than coal, oil and gas-fired electricity.

The anti-nuclear campaigners are asking Mr. Bruce Millan, Secretary of State for Scotland, to hold a second public inquiry into the proposed advanced gas-cooled reactor at Torness Point, East Lothian.

They claim that the estimated total cost of a leak at Hunterston last October has increased 24 times in only seven months.

WORKING BRITAIN

Cement site may be switched

By Alan Watson, Belfast Correspondent

A NEW cement works in Ulster for Blue Circle Industries will now probably be built at Cookstown, Co. Tyrone, and not at a site near Larne on the Antrim coast, as originally expected.

Blue Circle, which operates at both sites said that studies had shown that a 500,000-tonne-a-year plant at Larne would cost between £25m and £30m more than an extension of the Cookstown site.

Technological advances had made unavoidable the closure of the old plant at Larne, where 350 are employed. Although a final decision on new capacity had yet to be made, the Larne site could be retained to grind clinker made either at Cookstown or imported from elsewhere in the UK.

The day Dr. Who met trouble by the seaside

CHRISTOPHER PARKES gets his teeth into an unproofed stick of Blackpool rock

THE MANUFACTURE of seaside rock demands a strong arm, a refined sense of timing, skill, a dab of artistry and the special ability to spell the Queen's English in three dimensions, backwards, upside-down and in circles.

There are no proof readers to pick up the blunders.

Blunders like Dr. Woh.

Mr. Bob Farran, works manager at the Coronation Rock Company in Blackpool, smiles ruefully when he recalls the tale of Dr. Woh.

Of the 21 rock-making specialists in this renowned resort the Coronation works was selected two or three years ago to make a special batch of rock to mark the switching-on of the illuminations by Dr. Who, television's sci-fi sorcerer.

The special order was perfect. Psychedelically coloured, and with the legend "Dr. Who" clearly legible through every stick.

But Mr. Farran's attempt to repeat the recipe for general sale fell foul of the spelling bug.

More than 100lb of "Dr Woh" rock ended up in the cut-price packs of "broken rock" on sale in the 51-year-old company's four retail shops.

Next week Mr. Farran expects to prepare this year's illuminations special.

The lights are to be switched on by Terry Wogan, the radio disc jockey and professional Irishman.

Mr. Farran visualises an orange-coated confection decorated with white and green ribbons to complete the tricolour effect, suitably, and, he hopes, correctly inscribed with the star's name.

Mr. Wogan's special presentation stick will measure 4 ft 6 in long and 6 in in diameter.

Such special orders, however, constitute an interruption of the urgent business of day-to-day rock manufacture for the local market.

Mr. Jim Wyers, managing director of the Blackpool Rock Label Co, points out that the rock-making cycle begins in earnest in the dead-season months of December and January and accelerates rapidly until the boom summer holiday spell. The pressure eases completely only when the illuminations have been doused towards the end of October and the tail-end trippers have gone home.

It is indicative of the scale of the rock industry in Blackpool that it can support a subsidiary business devoted almost wholly to producing wrappings for the end product.

Three-quarters of Mr. Wyers's trade is concerned with printing and preparing the special packing for rock—including those postage-stamp sized views without which no stick of rock would be complete.

But the traditional sweetmeat now takes on many exotic shapes, and Mr. Wyers has to adapt to meet all kinds of special orders—turning out wrappers for "giddy kippers," "bacon and eggs," "rosy apples," "false teeth" and "50,000-lick lollies." His pride and joy, however, is a candy-striped cardboard tube which holds a stick of rock, and is sealed with a plastic walking-stick handle.

He also has to meet special demands from eager overseas buyers. In Britain rock in all its forms has spread from its traditional seaside sales grounds to virtually every town, monument and tourist trap in the country. It is also exported and sells well wherever it goes—Niagara Falls, or the Currumbin Beach Bird Sanctuary of Queensland.

Mr. Wyers has even printed "Rock from Gibraltar" labels for a Blackpool exporter, and a fascinating series of labels telling the history of Australian football complete with local club badges and the eye-catching title "Footy Rock."

But again, export orders are said to intrude into the routine of meeting the vital local demand.

Most of the manufacturers recognise that there are considerable profits to be made from exports. Mr. Farran claims to have accumulated £50,000-worth of unfilled overseas orders in his desk, but he sees little prospect of fulfilling them and developing the trade.

Obstacles include difficulties with financing, the business complexities of selling abroad and, most important, a real shortage of skilled and willing craftsmen.

Sugar-boiling and rock-making are skilled crafts and undoubtedly hard work. Mechanisation is limited and has taken only a little of the sweat out of the process.

Batches of boiling sugar, weighing up to 150lb and seething at almost 300 deg. F. are first poured by hand on to warmed metal tables.

As the mass cools slightly the process begins. Some is set aside for colouring, letter-making or covering the outside of the finished product. But the bulk is kneaded and pummelled before being consigned to a "pulling" machine which aerates the soft, hot mixture and turns it into the opaque mass which will form the centre of the sticks of rock—the part which holds the lettering.

Mr. Len MacDonald, foreman at the Palace Rock Company, snips with unerring accuracy at the great slabs of toffee-like sugar. So much for two letters, "I," a snip for the "b" and so on. He rapidly stretches and moulds the components into the necessary letters in a seemingly random order. Each character stands some 3 to 4 inches high and is about 2 feet 6 inches long.

With much slapping and heaving the letters, filling and coloured outer coating are rapidly patched together into a stubby, bomb-shaped lump. This is then quickly transferred into a rolling machine which compresses it. Sharp stabbings with a scissors blade release any large air bubbles still trapped inside the bulk.

The mass is hardening at this stage and with stunning speed Mr. MacDonald begins to produce what is for the first time recognisable as rock.

With almost magical accuracy he draws a slender strand of the mixture through a hoop formed from the thumb and forefinger of his left hand. Spaghetti-like lengths of rock spring from his fingers.

Here women workers put the final touches to the rock.

All that remains is for the rock to be snipped to length—about 1,000 sticks retailing at 9p.

Only when the final process was under way did Mr. MacDonald give any obvious signs of checking the lettering.

He will admit to producing one batch of Saecombe rock for Seacombe. But in general, he claims, he makes spelling mistakes only on rare occasions when he is distracted by events such as visits from newspaper reporters.

The words being put into the rock. Terry Kirk

Littlewoods pools business boost

FINANCIAL TIMES REPORTER

LITTLEWOODS POOLS yesterday announced an 8.64 per cent increase in business for last season (year ending July 31, 1978).

Total stakes increased by £14,431,762 to £183,225,207. Tax paid was £73,290,083 an increase of £5,772,705. The amount paid to winners was £54,585,786 up by £4,244,974.

Littlewoods said: "We are more than pleased with the year's figures. The amount of tax paid, over £73m is of particular significance, and underlines the Royal Commission's observation that the pools are, in a sense, a national lottery run on behalf of the exchequer."

Report on hospital deaths out soon

BY PAUL TAYLOR

RESEARCH PAPERS on the causes of hospital deaths of patients under 50 and on the accuracy of death certificates is to be published soon by the medical services study group of the Royal College of Physicians.

The papers will reflect much of the group's collaborative research work since it was set up with the help of the King's Fund last year.

Under the guidance of Sir Cyril Clarke, the group's director, and Professor George Whitfield, a first report, on the measurement and effects of alcohol, was published in the The Lancet in May.

However, the main research has centred on the study of 250 cases of medical deaths under 50. After consultation with senior doctors from the Merseyside, Midlands and Grampian Health Regions the preliminary report is complete.

It is hoped that the findings will lead to advances in medical knowledge and improvements in medical services.

Study of the accuracy of death certificates arose as a side product since the group was able to compare doctors' detailed notes with the cause of death stated on a certificate. Much research work is based on death certificates.

The group is studying deaths from diseases that can be cured. One project concerns rhesus haemolytic diseases in babies, which cause death or stillbirth. The disease can be avoided, but in 1977 there were 52 deaths and about 100 stillbirths as a result of it.

Exports fall 10%—subsidised jobs in peril

NEWS ANALYSIS

BRITISH CARPET INDUSTRY

BY RHYS DAVID

BRITAIN'S CARPET industry is approaching next month's annual trade fair at Harrogate with more than its usual degree of uncertainty.

After several years of recession the industry, the biggest in Europe, should be doing better this year as a result of the increase in consumer spending. But, with one of two exceptions, it is not. Whatever the public has spent extra money on—and some other textile sectors do appear to have benefited—it has not gone on carpets.

Sales, at best, are not much ahead of last year's depressed levels, and exports, which accounted for roughly a quarter of the industry's output of £550m. last year, have actually gone down by 10 per cent in the first half.

The problems of the recession and the difficulties it may be storing up for the future have caused the unions concerned to call, through the TUC, for a study by the Department of Industry. Employment has fallen from more than 40,000 five years ago to under 33,000, and a substantial part of the labour force is thought to be protected by temporary employment subsidy.

For many companies the assistance available will soon be coming to an end, and according to Mr. David Carter, general secretary of the Power Loom Carpet Weavers Association, this could result in further jobs being lost.

The unions think the situation sufficiently serious to justify setting up new tripartite machinery to watch over the sector and guide its development.

Although they have failed so far to win the support of the employers, they will be submitting to the Department of Industry a case for establishing a sector working party for carpets under the Government's industrial strategy.

Weak market conditions are the common theme, but the problems faced by the industry's two main sectors—woven and tufted—differ in some respects.

The women sector, with Kidderminster the main centre, has been contracting slowly for some time as a result of the growth of cheaper tufted processes. The woven producers have managed in part to slow down this decline by moving increasingly up-market, especially into the export markets such as the U.S. and the Middle East.

In the U.S., in particular, the virtual disappearance of the domestic woven industry has left a gap, especially for contract buyers looking for a quality product for hotel foyers, prestige offices and public spaces generally.

Closures have, nevertheless, continued, including that most recently at Morris-Gloucester, part of the Youghal group, where 500 jobs have been lost.

Economic pressures are also making it much more difficult for the relatively labour-intensive woven sector to take on recruits, leaving it with an aging labour force.

Mr. Carter points out that whereas 34 per cent of school and college leavers in the Kidderminster area went into the carpet industry in 1972, by 1975 this had fallen to 20 per cent and by last year to 7 per cent.

The tufted sector, which is much less dependent on labour, has developed in Lancashire and Yorkshire close to the tufted machinery building industry located in Blackburn. In this sector the problem has been over-investment, particularly in printing machinery.

With printing, the tufted industry—which had previously been limited very largely to sculptured effects—has been able to produce cheaply the bold designs favoured in the UK market. The process was relatively cheap to acquire, and, with demand depressed for the past four years, there has been much too much capacity chasing far too few customers.

According to Mr. James Hartley, chairman of Shaw Carpets, which has invested heavily in sophisticated printing equipment designed to move the company up-market, the UK industry is capable of producing up to 50 per cent more carpet than is sold.

"One obvious way of alleviating the situation is by reducing existing capacity," he said. But this will not necessarily occur through companies going out of business, as others come along to take over those in difficulties. Companies may have to reduce productive capacity by not replacing old plant and by ensuring that the remainder is of a size that can be operated efficiently.

"Management and unions will also have to ensure that productivity rates are at least as good as those on the Continent and in the U.S., where manning levels are in some instances significantly lower than those generally in the UK."

At the cheaper end of the market, with price the main consideration, the increased value of sterling has cost UK producers some of their earlier competitiveness as against Germany and Belgium, Europe's two other major carpet producers.

Moreover, as Mr. Hartley says, some of the European producers are now looking with increased interest at the large UK carpet market, which hitherto has enjoyed a relatively low import penetration of less than 20 per cent.

Substantial investment in carpet tufting machinery is now taking place in Comecon countries, in some developing countries and in various parts of the Middle East where there is a tradition of high-quality carpet production.

Efforts are being made to recruit British weavers to place the local industry on a commercial footing for an assault on Western markets.

Nor is the threat of higher imports posed only from these quarters. Allied Carpets, the biggest UK retailer, is heavily promoting a purchase it has made of American carpet.

Though carpets imported from the U.S. will always have to carry the burden of heavy transport costs, the U.S. tufted industry does start with a reduced cost base because of its very long production runs and its lower prices for oil-based raw materials such as polyester and polyamide.

The U.S. carpet which Allied is selling is of a special construction which has been selling well in the U.S. Here can be seen an attempt to introduce a new fashion to stimulate sales. Technically, the carpet can be made by UK producers, and several are expected to unveil their own versions at Harrogate.

The problems facing the industry can be overdone. For example, a study produced recently by a firm of economic analysts suggested that the pick-up in incomes in the UK, coupled with more housebuilding this year, could point to higher carpet sales over the rest of this year and into 1979.

Autumn is traditionally a strong period for carpet sales, after the lull of the summer months, and some manufacturers already see signs that demand may be improving.

Any revival might be short-lived, however, and the unions fear that many of the problems which have been apparent over the years will reappear. The Government is being approached early because at present the industry is still strong when compared with other textile sectors and the unions are anxious that steps should be taken in time to ensure that it remains strong.

Quayle raises a loan

QUAYLE CARPETS of Kidderminster said yesterday that it had negotiated a £340,000 facility by way of loan and overdraft from Barclays Bank, Arbuthnot Latham and Industrial and Commercial Finance Corporation.

"Difficult trading conditions over the last two years have made it important for the company to augment its working capital to finance a new range of carpets," said Mr. Andrew Marsden Smedley, chairman designate. "The immediate future of the company and its 300 employees has been secured."

Quayle manufactures high-quality Axminster and tufted carpets and rugs.

Union woos shop workers at Boots

BY OUR LABOUR STAFF

RETAIL STAFF at Boots, the chemists, will be singled out for special attention in a recruiting drive to be launched in the autumn by the Union of Shop, Distributive and Allied Workers.

The campaign, which will include posters and personal visits by union officials will aim to build up the union's membership in what it calls "the unorganised part of the high street."

The union, Britain's sixth largest, wants "a common improvement in pay and working hours for all members, and this includes those on the retail as well as the wholesale side of Boots."

Lord Allen, general secretary, told a special conference of the union's officials in Manchester yesterday that Boots shop workers could benefit from union membership as much as workers in the company's factories.

Dockers remain out in row over safety

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS and dockers' leaders in the port of Southampton held emergency talks yesterday after a meeting of nearly 2,000 dock workers decided to continue a strike which has halted cargo operations since Friday.

The strike, over a safety dispute, is the latest in a series of disruptions which have hit the port since January, at a cost of some £250,000 a week in lost revenue each time container ships have been diverted to continental ports.

The dispute originally centred on hte refusal of two drivers last week to continue to work on a straddle carrier which they claimed was unsafe because oil had spilled on to one of the 25-foot ladders leading to the cab.

But the issue was broadened yesterday when the strikers questioned the general operation of safety standards in the port.

Mr. Ritchie Pearce, chairman of the shop stewards in the Transport and General Workers' Union, said that the issue was an important one for Southampton dockers who wanted consultation on safety.

The British Transport Docks Board in Southampton—Britin's sixth biggest cargo handling port—denied that safety standards and procedures were lacking and also that there was not sufficient consultation on safety issues with the workforce.

It pointed out that a joint safety committee met regularly although it was not brought in during the dispute over the ladder.

Mr. W. D. Noddings, deputy port director, described the strike as "futile" and said that the Docks Board could not tolerate the abuse of safety procedures as an industrial weapon.

The dispute looks like becoming a major clash between dockers' leaders and employers over deteriorating industrial relations on a day-to-day basis as well as on the strike record.

The Docks Board talked openly for the first time yestrday of a "policy of non-coopration" which some dock workers had been operating for some time and of which the present dispute was only the latest example.

There have been complaints among some dock workers of continual sabotage of machinery which has led to upset among maintenance engineers as well as dockers operating the machinery.

The Government's pay restraint policy and inadequate differentials have also figured prominently in disputes over the past 18 months.

The straddle carrier drivers are said to be on the same basic wage as dockers who carry baggage because of a pay structure negotiated by the unions several years ago.

Dockers accept pay off

A TOTAL of 260 dockers on the Mersey aged 59 or over, have agreed to accept voluntary severance. They represent about 60 per cent of the labour force in the age group.

The Mersey Docks and Harbour Company, the largest employer on the river, is seeking 315 voluntary redundancies to trim its workforce and cut the money paid in fall-back pay when surplus staff have to be sent home.

The offer of severance pay may now be extended to men aged 55 and over to reach the requird target figure which has been approved by the National Dock Labour Board.

The cut will bring the overall total of dockers on the Mersey to 6,000.

Bathgate: A dispute in danger of being forgotten

BY NICK GARNETT, LABOUR STAFF

IF THE toolmakers at BL come out on strike next week, the dispute at Leyland Vehicles' Bathgate plant in Scotland is likely to be forgotten.

Yet the strike by Bathgate's machinists is very serious when set against a background of what the company sees as a dramatic worsening in labour relations at the West Lothian factory.

All production at the plant, which produces Leyland Vehicles' tractors and its range of light and medium trucks, has been halted. Manufacturing at the Albion truck plant near Glasgow, which is dependent on cabs made at Bathgate, will be severely affected in little more than a week.

The board of Leyland Vehicles has been so concerned at the production performance of Bathgate throughout the year that it is seeking a meeting with national officials of all the plant's unions.

Skill dispute

At that meeting, which may he held at the end of the week, the company will try to reach some form of agreement with the unions on observing established working practices and disciplinary procedures.

Mr. Pat Lowry, the corporate director of personnel, said last week that there was such "a deepening saga of strikes and sanctions" that the plant could no longer be operated on its present basis.

Leyland Vehicles' slice of the UK commercial vehicles market has been shrinking, and the company says that Bathgate's position in the marketplace has become particularly vulnerable.

Senior union officials themselves believe that if industrial relations and productivity at the plant do not improve, long-term investment at Bathgate and its function within Leyland Vehicles will be threatened.

The present dispute involves 1,500 machinists who have been demanding a commitment from the company on extra pay for working new machinery. The machines, automated drills, grinders and other equipment which produces vehicle components are part of a £45m three-year development programme for Bathgate and the Albion plant.

The machinists originally claimed that the machines needed higher skills to operate. The company and the Department of Employment disagreed.

According to Mr. Jim Swan, the engineering workers' union convenor, the machinists then claimed extra payments based on the new machines' increased productivity.

The company maintains that a recently negotiated pay package, incorporating a 10 per cent rise, a self-financing productivity deal and an investigation of relativities and differentuals, covered the full working of the new machines.

Senior union officials, who have been trying to get the machinists back to work, and many of the engineering shop stewards agree with the company.

Disciplined

The machinests refused to accept new production targets for the machines, in breach of measured day work and time study agreements. One of the machinists was disciplined and the rest walked out.

Shop stewards say the machinsts' dispute largely reflects one of the principal reasons for the large crop of disputes at the plant this year.

With pay and differentials squeezed by pay policy, the investment programme appeared to offer the opportunity for negotiating extra money. Leyland Vehicles fears that if it conceded extra payment to the machinists, something it has firmly ruled out, other production groups would rush in claims.

Bathgate produces all Leyland Vehicles tractors, its Redline range of trucks ranging from 3½ to 26 tons, and diesel engines for these vehicles.

So far this year disputes and restrictive practices have lost 4,000 trucks and 3,000 tractors. Output is running at about 65 per cent of target.

Leyland Vehicles' diminishing share of the UK commercial vehicles market is now under 25 per cent. The market is buoyant, but the company says that Bathgate's poor labour relations are threatening to cut its share to a point where in the end there will be too much productive capacity to meet demand.

For that reason, union officials will be told again at their meeting with management that the secure future of Bathgate, only 15 years old and ideally designed for mass production of medium commercial vehicles, is at risk.

Motor Cycle Show record

NEARLY 60,000 visitors, a record number, went to the International Motor Cycle Show at Earls Court, London, last weekend.

"Attendance is 16 per cent up on last year (59,807 actual compared with 51,587), underlining the much greater interest in powered two-wheelers," the Institute of Motorcycling said yesterday.

BL toolroom men win more support

BY PETER CARTWRIGHT, MIDLANDS STAFF

THE DIVISION in the Amalgamated Union of Engineering Workers over threatened expulsion of 32 toolmakers at SU Fuel Systems, Birmingham, for refusing to call off their month-old strike for pay parity sharpened yesterday.

Union officials who sounded out members at British Leyland said expulsion over a strike issue had turned even moderates to support the 32.

Many moderates who helped vote Mr. Terry Duffy into the presidency of the union, which he takes up shortly, believe he has taken too tough a line.

Agreement on a wage structure eliminating anomalies should be ready for signing by the end of September. The men claim nearly £7 a week to equal Rover toolmakers' £83.

"The real question is whether the toolmakers are justified in being dissatisfied with negotiations," a senior AUEW official said last night, "If the company has failed to honour a clear agreement, as they say, then it seems to a lot of our members that trades union officials are applying non-democratic principles.

"It is one thing to decide whether a case is valid or not valid. It is quite another to decide that people can blackleg by doing the jobs of the strikers if necessary."

This largely sums up attitudes in two of the most sensitive areas of the toolmakers' quarrel, in Birmingham and in Oxford, the main power base of Mr. Roy Fraser, heading 3,000 toolmakers seeking separate bargaining rights, who support the SU strikers. Mr. Fraser led the toolmakers' strike 18 months ago that crippled car production and made more than 40,000 idle.

● Mr. Fraser yesterday predicted that Leyland's shop stewards would back the call for an all-out strike if the 32 were expelled by the union.

More than 60 stewards representing the militant toolmakers meet in Birmingham on Saturday to consider a recommendation by the toolmakers' committee for an immediate strike if the men are expelled.

The union executive holds a special meeting on Sunday, the earliest date for endorsement of the recommended expulsion.

Port radio technicians may act over pay

BY OUR LABOUR STAFF

RADIO technicians stationed in ports throughout the UK are considering industrial action in the face of their employers' insistence on a straight 5 per cent pay settlement under the Government's Phase Four wage guidelines.

Only 250 shore-based technicians are involved in pay negotiations with Marconi Marine, but any action they take could seriously affect British shipping services

The technicians are responsible for installing and maintaining communications equipment on British flag carriers whenever the ships come into port. Ships of over 1,600 tunnes are not allowed to go to sea unless their radio equipment is in order.

The Radio and Electronic Officers' Union said yesterday that the employers' "final" offer had been rejected, and industrial action was being considered. Mr. Jack Bromley, general secretary, added that it had not yet been decided what form of action might be taken.

The employers had so far rejected the technicians' demands for an increase above the 5 per cent limit through a self-financing productivity deal or a job evalnation and salary scale restructuring exercise.

The group last took action over a pay claim in 1972, before the Government's present wage restraint programme was introduced.

£6m in grants available

COUNCILS HAVE been invited to bid for £6m in grants from the Department of the Environment for urban projects during 1979-1980.

Schemes eligible for grants include industrial, environmental and transport projects in addition to the traditional social, recreational and cultural plans, as set out in the Government's White Paper Policy for the Inner Cities.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Blast of water clears the holes

PROTOTYPE equipment under development for some 15 months and representing a new approach to the washing of complex engineering components prior to assembly has been ordered off the drawing board, so to speak, by British Leyland which expects to see the first such unit installed next month.

It is a high pressure water washing unit by Elan and was evolved to get around the problem that high volume, low pressure washing as generally used in the motor industry is frequently unsatisfactory. The method often fails to clear blind tapped holes and oilways and can result in high rejection rates with consequent extensive and expensive re-working.

At the same time, relatively complex transfer equipment is required to present such units as engine blocks to the cleaning stations.

Elan's development uses water in low volume and at 4000 psi—travelling at some 700 mph—to achieve block cleaning. The equipment into which it is built will clean and dry engine blocks at a rate of one every 45 seconds. No chemical additives are used and the water is re-cycled.

Interesting in the development is the immense cleaning power the high pressure and speed of travel confers to the water since only about one-third of a gallon is projected per second, yet in tests it has been shown to remove blind holes and narrow oil feed passages.

The company already is planning to extend the capabilities of the automatic system to computer-controlled programmable level so that its cleaning units can be incorporated into virtually any production line, even when there are frequent changes of manufactured product.

Where the equipment can be incorporated into a new production line, the user will score considerably.

Details of the plant and its potential applications from Elan Pressure Clean, 9 Park End Street, Oxford OX1 1HH. 0865 724968.

Hydraulic tipping units for small vehicles have just been launched on the UK market by BCT Equipment. Primarily intended for installation on Datsun, Mazda and Toyota type pickups, the units can be fitted without making alterations to the vehicles. Only four holding points are required. BCT Equipment is a division of Bentley Chemical Trading Company, Greenhill Industrial Estate, Birmingham Road, Kidderminster DY10 2SH (0562 4666).

● COMMUNICATIONS

Messages over the mains

AN INTERESTING and relatively cheap communication system, originating in Japan and marketed in this country by Hadley Sales Services of Smethwick, makes use of mains copper cables to transmit audio signals on three channels.

The concept is fairly straightforward and is a development of a simpler system introduced by the same company some years ago. A unit is simply plugged into a mains socket, from which it derives the necessary power and into which it injects a modulated carrier frequency at 180, 230 or 280 kHz.

Any other unit plugged into a mains socket will then be able to receive the signals provided that it is on the same distribution transformer secondary winding (the same phase). This second unit can similarly transmit to the first, and a number of stations could be set up using the three channels for selectivity.

The equipment uses frequency modulation of the speech on to the carrier and is relatively noise free, the mains frequency having no effect.

Although the equipment is technically quite simple, its application with regard to both the Post Office and the Electricity Council is a little more complicated.

The Electricity Council takes the view that provided no interference to their own activities is caused, there is no objection to the equipment's use, although they can give no continuing assurance of a suitable circuit between any two points.

The Post Office however, points out that if the link is established between two completely independent parties then the Post Office Act will be contravened and prosecution could follow.

Thus, the equipment can be used quite legally within a single organisation's premises and, it is understood, between different premises of the same organisation. Any communication with a third party however would be illegal. Furthermore, communication between private individuals in different dwellings would also infringe the Act.

Hadley Sales Services is at 112 Gilbert Road, Smethwick, Warley, West Midlands B66 4PZ (021 558 3585).

● CONSTRUCTION

Finds pigs in pipelines

DEVELOPED BY General Descaling is the Type T Pigalert, a line-installed device for detecting the position of pigs and spheres in pipelines (devices used for cleaning/examining the insides of pipes, separating products in them, or for gauging).

Increasingly, softer elastomers and foams are being used for the seals and other fittings on pigs to avoid scouring the pipe bore. The signaller therefore has been designed with a trigger device (actuated by the passing pig) that penetrates radially quite deeply into the pipe to ensure actuation by the softer material and which deflects completely so that it cannot be damaged.

The lift of an associated tumbler is transmitted either by a pressure balanced mechanical spindle, a seal-less magnetic spindle, or a magnetically actuated reed switch, as required.

The device can be mounted on almost any pressure vessel connection, complete with external connections.

More from the company at Retford Road, Worksop, Notts., S80 2PY (0909 3211).

Big Komatsu dumper

A FIFTH vehicle has been added to the Komatsu range of dump trucks. The HD460 is a 46-ton (51 U.S. tons) model with a loading height of only 3.3 metres, and can be loaded by machinery which was previously limited to operations with dumpers of up to 35 U.S. tons capacity.

In keeping with its design plan of high load capacity in a package of small dimensions, the truck has a turning circle of only 8 metres which enables it to operate in confined spaces.

The dumper is powered by a 615 hp Cummins VT-1710 diesel and has a Komatsu Torqflow automatic transmission with six forward speeds and one reverse operating through a torque converter and lock-up mechanism which is said to eliminate most manual gear shifting operations.

More from the company at Padgets Lane, Redditch, Worcs., B98 0RT.

● MATERIALS

Makes firm electrical connection

PLANS TO exploit the market for resins loaded with silver and possibly other precious metals have been announced by Johnson Matthey Chemicals.

Uses for this type of material have been increased particularly by the growth of the electronics industries and the company is confident that there are more applications for it than have so far been discovered.

Silver blended under carefully controlled conditions with resins can be used to produce adhesives which will form an electrically conductive bond of high strength. It is claimed they are easy to use, are especially useful in repair work and, more especially, are most suitable for use when the parts to be bonded are either heat-sensitive or not easily accessible.

Also to become available soon are silver paints which, Johnson Matthey says, raise interesting possibilities for the designer who wishes to produce electrically conductive tracks such as those printed on circuit boards. Using a brush he can simply paint on a circuit. Large surfaces can be covered with the paint to produce a highly conductive thin film suitable for electroplating, earthing or other purposes.

The company has set up a team of specialists to look after research, development and production and they will be operating from Johnson Matthey Chemicals' headquarters in Orchard Road, Royston, Herts SG8 5HE (0763 44161).

Paper-based laminates

AVAILABLE FROM Sonneborn and Rieck is a range of paper-based, highly flexible surface laminates, suitable for use on Quickstep and hot press equipment.

Igraplan laminates are supplied in weights from 40gsm to 120gsm, in simulated wood grains and plain colours. The laminate surface is pre-finished to withstand detergents and household solvents, etc., and requires no after-treatment. It can however, be over-lacquered if a high gloss result is required.

For speed of application, the laminates are supplied in roll form, in any width up to 1.80 metres—except for those with ingrained pore marks, when the greatest width currently available is 1 metre.

Sample swatches are available on application to Sonneborn and Rieck, Juxa Works, Peregrine Road, Hainault, Ilford, Essex. 01-500 0251.

● PERIPHERALS

Accurate cheque readers

ORDERS FOR two type 9300 high speed document reading systems and full on-site maintenance services have been placed by the Central Computer Agency with De La Rue Crosfield.

The extended equipment, to be installed at the Department of Health's Newcastle Central Office at the beginning of 1979, is to read up to 650,000 encashed cheques relating to Social Security and unemployment benefit payments.

Magnetic tape records created from the OCR B serial numbers thus scanned will be processed on the DHSS computer together with related magnetic tapes from other sources. The result will be reconciliation of issued cheques, encashed cheques and Post Office payment claims.

The total operation will enable DHSS liabilities to the National Giro to be settled speedily and it will also facilitate the indexing of all paid cheques for easy location in case of dispute and reveal attempts at falsification.

Latest version of the 9300 is a synchronous machine working at up to 72,000 operations per hour. It employs vacuum and air pressure techniques to transfer documents drum by drum through the system without relative motion between paper and carrying medium and consequently minimises the possibility of documents tearing or jamming.

Each document, on being fed from a continuously-loadable hopper is scanned by an OCR B camera unit; matrix matching electronics decode the code line and transmit the information to a processor which carries out a number of validity checks, including check digit verification and numeric data comparison.

Under bench testing, the 9300's proved able to deal with print qualities ranging from sharp letterpress to woolly, randomly-aligned barrel and train printing, without adjustment of the reading system.

De la Rue Crosfield, 244 High Street, Watford WD1 2JT. Watford 30411.

● SECURITY

Surveillance market bid

FERRANTI plans to manufacture and market large-scale closed circuit TV surveillance systems, to meet the complex requirements of industrial and retail sites needing multi-camera security and incorporating refinements such as movement detectors, motorised zoom and low light lenses, and recording facilities.

Ferranti Instrumentation will also be able to meet the needs of customers with smaller system requirements, and a free consultancy and demonstration service will be available to all potential customers.

Equipment will be installed and serviced on a regional basis, and backed up by a central spares facility based in Manchester.

Further details from the company at St. Mary's Road, Moston Manchester M10 0BE. 061-681 2071.

Ultra-fast printer supported

CONFIRMATION OF arrangements between ICL and Siemens for the UK international company to market the latter's high speed laser printer has now been issued by Siemens.

ICL will add the printer to its product list and will offer it all over the world. At the same time, the company will be taking a large number of the units, which compete directly with an IBM laser printer, against contracts which provide for their installation off-line.

Equipment of this type is capable of a top speed equivalent to 1.2m lines per hour, offering excellent print quality, and—Siemens asserts—a high price/performance ratio.

● DATA PROCESSING

Toughened printer

MILITARISED for tough usage, a thermal line printer introduced by Sintrom Ellinor, UK representative for the Miltope Corporation is the TP2000.

The unit has two reliable thermal print heads each spanning two inches of paper width. Since no moving parts exist within the print head, this should approach the service life of the unit.

The basic TP2000 is a ten-character per inch 40-column printer that operates at a 240 lpm print speed. A 66-column (17 character per inch) version of the unit is available. It weighs less than seven pounds, provides internal storage for 100 feet of 4½ ins wide roll paper, and measures 5.75 ins by 6.25 ins by 7.50 ins.

Sintrom Ellinor, Arkwright Road, Reading, Berks. 0734 85464.

Minis set the train indicators

BRITISH minicomputer maker, Digico, of Stevenage, is carrying out a £350,000 project for British Rail's southern region in which minicomputers will control the train destination indicators at more than 120 stations in the Victoria, London Bridge, Dartford, Feltham and Eastleigh signal box areas.

Two of the processors are located at Waterloo, forming a "master timetable system" which holds standard timetable data and uses it in conjunction with actual train movement data (derived from the train describers) to produce reports for staff on the late running of trains and to compile statistics.

One of the machines controls the distribution of the timetable data to the computer-based indicator systems located in each signal box where it is used in conjunction with train movement data to determine the next indicator setting at each station in that area.

Digico is at Wedgwood Way, Stevenage, Hertfordshire (0438 4381).

● IN THE OFFICE

Versatile labeller

A DESK-TOP machine has been introduced by Roneo Vickers which will simultaneously address, date and number labels repetitively or in sequence.

Known as the Neopost E10 Dater/Numerator, the unit can be fitted with a choice of two numbering and two dating devices, or a dating/numbering combination according to need.

Markets are likely to include the retail and distributive trades and any business concerned with the labelling, numbering or dating of packaged goods of virtually any description. An example would be the labelling of food products that need to be sold by a specific date.

● CATERING

Cuts off the snibs

GREEN BEANS have snibs (those tiny stalks at the end) and, as every chef or cook knows, are tiresome to prepare. Now comes a machine called the Cluster Cutter whose principle of operation is thus: clusters of green beans are poured through a chute into an inclined drum and are caught on hooks on a carrier plate and revolved anti-clockwise. A knife, revolving clockwise, then cuts the clusters. Once cut, the bean snibs protrude through pockets in the face of the drum and are snibbed by exterior mounted knives.

More from Peter Holland (Food Machinery), St. Peters Hill, Stamford, Lincs. (Stamford 52086).

CONTRACTS AND TENDERS

ELETROBRAS
ESCELSA AND CELESC
COMPANHIA AUXILIAR DE EMPRESAS ELETRICAS BRASILEIRAS (CAEEB)

NOTICE TO PROSPECTIVE SUPPLIERS BRAZIL

SOUTH - SOUTHEAST POWER DISTRIBUTION PROJECT

LOAN 1538-BR

Espirito Santo Centrais Eletricas S.A. (ESCELSA) and Centrais Eletricas De Santa Catarina S.A. (CELESC) are participating through Centrais Eletricas Brasileiras S.A. (ELETROBRAS) in a loan from the World Bank in various currencies equivalent to US$130 Million, and ESCELSA and CELESC propose to apply their share in the proceeds of this loan to the purchase of equipment and materials for their expansion programmes for the years 1978 through 1981. [illegible]

[illegible]

COMPANY NOTICES

ALAHLI BANK OF KUWAIT (K.S.C.)

US$ 25,000,000

Floating Rate Notes due 1983

In accordance with the terms and conditions of the Notes, the rate of interest has been fixed at 9⅞% per annum for the interest period running from August 23, 1978 to February 22, 1979 (each day inclusive).

The amount of interest per bond of US$ 1,000 denomination is US$ 48.24, payable on February 23, 1979.

LEGAL NOTICES

No. 002688 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MARTINS WINE MERCHANTS LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice [illegible]

No. 002558 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of K.S. FACILITIES LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice [illegible]

ANGOSTURA BITTERS (DR. J. G. B. SIEGERT & SONS) LIMITED
(Incorporated in Trinidad W.I.)

At a meeting held 15th August 1978 Board declared preference dividend in respect of year 1978 of 10% less withholding tax for non-residents of Trinidad and Tobago. Preference stock register was closed from 16th to 21st August 1978, both days inclusive. Dividend payable 21st August.

A. J. HEDGER.

[illegible]

NORPIPE a.s
(Incorporated in Norway)

NOTICE IS HEREBY GIVEN that the audited Annual Report and Accounts of Norpipe a.s for the year ended 31st December, 1977 (and translation thereof) are available from—
Norpipe a.s
Breidablikkveien 3,
PO Box 3068 Mariero,
4001 Stavanger,
Norway.
and
Phillips Petroleum Company Europe/Africa,
Treasury Department,
Portland House,
Stag Place,
London, SW1E 5DA.
and
Cazenove & Co.,
12, Tokenhouse Yard,
London, EC2R 7AN.

UNION CORPORATION LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDEND No. 123

PAYMENT OF COUPON No. 128

The Directors have declared dividend No. 123 of 15 cents per share Republic of South Africa currency being an interim dividend in respect of the year ending 31st December, 1978, payable to members [illegible]

[illegible]

This notice is published in abbreviated form but members may inspect the full notice declaring the dividend at either the Registered Office or the London Transfer Office of the Corporation.

By Order of the Board
per pro. UNION CORPORATION (U.K.) LIMITED
London Secretaries
L. W. HUMPHRIES

London Secretaries:
Princes House,
95, Gresham Street,
London EC2V 7BS.
London Transfer Office:
Hill Samuel Registrars Limited,
6, Greencoat Place,
London SW1P 1PL.
29th August, 1978.

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS—
UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the Conditions relating to the payment of the dividends declared by the undermentioned companies on 9 and 10 August 1978, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R1.676401 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 29 August 1978 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (Each incorporated in the Republic of South Africa)	Dividend No.	Amount per share
Gold Fields Property Company Limited	117	2.98258p
New Witwatersrand Gold Exploration Company, Limited	55	5.96516p
Vogelstruisbult Metal Holdings Limited	63	2.38606p

London Office:
49 Moorgate,
London EC2R 6BQ.

United Kingdom Registrars
Close Registrars Limited,
803 High Road,
Leyton,
London E10 7AA.

29 August 1978.

By order of the boards,
C. E. WENNER,
London Secretary.

PUBLIC NOTICES

GLASGOW DISTRICT COUNCIL

Bills issued 30/8/78, £1.5m at [illegible] [illegible] Applications totalled £49.2m. Bills outstanding £9.4m.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

The Management Page

EDITED BY CHRISTOPHER LORENZ

How Polymark is riding a winner across the Channel

Tim Dickson explains why a West London company's French connection with Raleigh has turned up trumps

AS A DUTCH cyclist surged over the finishing line in the last stage of this year's Tour de France, the fortunes of a relatively small but rapidly expanding West London company took another stride forward.

Most of the champagne and business acclaim was reserved for TI Raleigh—sponsor of the cyclist, manufacturer of the winning bike and a subsidiary of the giant Tube Investments.

Back in London, however, executives of Polymark International, better known for its laundry marking process, were wondering just what impact the victory would have this year on its pre-tax profits.

For Polymark, a manufacturing and marketing group diverse enough to take in laundry equipment, grass cutting machinery and a wide range of identification transfers, is also the proud and exclusive distributor of Raleigh bicycles and toys in France.

Bravado

How this apparent industrial incompatibility arose in the first place is the story of an extraordinary management decision which can have few rivals for, if nothing else, sheer bravado.

What began as a tentative but persistent inquiry (Polymark fired off several letters before Raleigh took it seriously) has now become a flourishing operation, with the Shepherds Bush-based group this year geared up to sell more than 20,000 bicycles worth about £1.5m in sales, or about a tenth of its overall turnover.

Polymark was founded in 1950 by Hans Meyer, the current chairman's father and an exile from Nazi Germany. Inspired by a newspaper competition offering £1,000 for a new laundry marking system, Meyer set about his research but decided his idea was worth considerably more than the prize money. He therefore ignored the competition and set up his own company to develop the system.

The laundry side is still very much at Polymark's core, though it was the decline of the domestic laundry market at the beginning of the 1960s which forced the company to diversify.

From one bright idea, Polymark has since developed a patented transfer technique, started manufacturing its own products, linked up with the Wolseley Hughes group to sell horticultural machinery, and most recently established its French connection with Raleigh.

That story begins in September 1973 when two Polymark sales representatives in France, themselves keen on fast cars, encouraged their management to obtain the Lotus agency in that country. After some preliminary negotiations, this was accomplished, but the move heralded one of the less happy episodes in Polymark's history.

The very next month the group proudly displayed its new baby at the Paris motor show, but as Herbert Blank, Polymark's dapper managing director, remembers, the planned birth turned into something more like a funeral.

The fatefully timed oil crisis was the main reason, putting low consumption cars at a premium. There were other problems too, when the cars at first failed to match French technical specifications and safety regulations, while relations between manufacturer and distributor were far from rosy.

Polymark probably lost money on the deal, but the ill wind blew it considerable good—thanks essentially to its French general manager.

After doing some homework, he proposed that Polymark's spare staff capacity should now be employed to sell Raleigh bicycles.

Senior management again took up the idea and eventually got a reply from Raleigh, inviting their representatives to attend the International Bicycle Exhibition at Cologne in the summer of 1974.

That was not a suitable date for Herbert Blank and finance director Christopher Haynes, but later in the year they decided to visit Raleigh's Nottingham offices.

Here their reception was hardly enthusiastic, and a young junior clerk was initially deputed to ask who they were. The Polymark team (which included representatives from the French operation) finally managed to see someone more senior from the export office, and then progressed rapidly to the export manager.

According to Herbert Blank, they were invited to stay for a hastily arranged lunch, at which some serious talking took place.

Blank admits his company knew little about the product, while for its part Raleigh had never sold any bicycles in what is generally considered the most discerning market in the world.

Most observers at the time felt the two leading French bicycle manufacturers, Peugeot and Renault, had an insuperable stranglehold on the home market, with their tight controls on many of the outlets.

Polymark (or more specifically its enterprising French manager) stressed the possibilities in France of a comparatively quaint English bicycle. Give or take a few modifications (the more sophisticated French consumer prefers more gears, for instance), it was felt that the upright Raleigh Roadster model could well find takers.

From these modest and somewhat haphazard beginnings, this side of Polymark has accelerated to become an increasingly important profit generator.

Contrary to the impression given by some reports, the Raleigh team did not win the main team or individual prize in this year's Tour. But its successes (by individuals) in about half the stage races (including the last one), plus the team points prize, provided sufficient publicity to boost Raleigh bicycle sales both at home and abroad. Several enquiries have also been received at Polymark about marketing other companies' products abroad.

Bicycles, then, is one of the ideas taken up by the Polymark management in the wake of a declining domestic laundry market. But, as the company is anxious to stress, wheels are only part of the story.

Systems

The group's initial developments actually took place in the field of laundry equipment. In the early stages Polymark was primarily a research and development outfit, and from the original laundry marking process other machines were invented. The linen care division now provides complete systems for customer identification, work handling and work flow and, together with UK and Common Market sales of other manufacturers' equipment, the laundry side accounts for more than half total group turnover.

There was an undoubted logic to the first major shift in product emphasis. Against the background of overseas sales expansion in the 1950s and 1960s, the group's R and D department hit upon a new, patentable process.

The Transtat heat transfer system, which applies Polymark-produced transfers to textiles and other materials, is based on a similar concept to the laundry marking process. In both cases Polymark supplies the machines and the material which the machines consume, while the end result is essentially an identification tag.

Gerrie Knetemann crosses the finishing line in Paris to win the final stage of this year's Tour de France.

Initially, Transtat was fairly crude and its use was restricted to the company's existing customers, who were mostly hospitals. Gradually, however, the technique was improved and extended to the wider garment and fashion industries.

Transfers are now designed for a wide range of end products—seat belts, denims, shoes, football jerseys, for example, and the company has more work than it can cope with.

A further development, which Herbert Blank freely admits was not planned, is Polymark's move into manufacturing. Before 1969, all the group's laundry and transtat machines were made by other companies, while the group relied on two Lancashire mills for its woven tape. In time these suppliers either closed down or (in the case of one Lancashire mill) the owner died without a successor and Polymark picked up the remaining business. Now most machines are made at the group's engineering works in Sussex, while the first of the three Transtat plants was opened in London in 1970, and two others have subsequently been built in Ireland and the U.S.

The fourth string to Polymark's bow is the distribution of horticultural equipment. This accounts for about 20 per cent of total sales, and dates from an abortive attempt to distribute a now defunct Bristol company's egg grading machinery in France and Finland. With consequent spare staff capacity and a little opportunism Polymark approached the British Embassy in Paris for ideas and contacts.

Afte rseveral inquiries a link was proposed with the Wolseley Hughes group (a tie up which now includes a joint company McConnel Polymark).

Polymark's founder Hans Meyer would hardly recognise his creation today. By a combination of undoubted management flair, an underlying perception of the need to build a wider base for what remains a highly successful and profitable original product, and undoubtedly a fair slice of luck along the way, the group approaches the current year with every possibility of achieving profits before tax of more than £1m and sales in excess of £15m.

Where does Polymark go from here? The possibility of more Raleigh franchises is unlikely, both because there are no suitable agencies going begging at the moment and because, next time, TI Raleigh may not let someone else share its success.

There have, indeed, been rumours that Raleigh is interested in buying back the agency but under the original agreement the manufacturer has to give four years' notice and, presumably, it might be rather expensive.

Polymark's next moves (and ideas are in the pipeline) seem likely to centre on the agricultural equipment subsidiary, the development of Transtat and the expansion of Raleigh toys in France. There is not much cash around but the balance sheet looks relatively healthy, with the debt: equity ratio down from a high of 1.1:1 to about 0.54:1 at the moment.

Whichever way Polymark jumps, it has proved that diversification gambles can work, and, even if sometimes lacking visible logic, it doesn't pay to stand still.

Providing your staff with some home help

EMPLOYEE BENEFITS

BY ERIC SHORT

BUYING A house is one of the major investment decisions undertaken by any individual in his life. Although it will almost certainly turn out to be a profitable investment, it is invariably a considerable strain on financial resources during the early years, especially for young people buying their first home. This is an area where employers can provide help in a variety of ways, and at the same time provide a useful fringe benefit to boost overall remuneration.

This help can take two forms—assistance in securing a mortgage and help in the payment of interest. Both have for long been provided by banks and insurance companies, in the form of direct loans to staff and by charging a low rate of interest in comparison with the ruling market rate.

In these two industries, mobility of management and staff is a normal feature in the career pattern. The companies have always regarded it as necessary to assist financially those employees who are transferred from one place to another—both with the cost of moving and with buying a new home. A natural extension was to make this facility available to all staff buying a house irrespective of whether they were being moved by the company.

The attitude behind this practice is that employees in an industry get trade discount terms on the products or services provided by the company. Banks and insurance companies are in the money-lending business and the preferential terms of the house purchase scheme represents a staff discount on borrowing money.

And what a discount! In the first place the amount of mortgage is higher than that which can be obtained from a building society, both in respect of salary limits and percentage of the house valuation. Individual banks and insurance companies are very reluctant to reveal details in case the unions or staff associations make comparisons and bargain for even better terms. But mortgages of up to 95 per cent of the house value and up to four times salary are quite common.

Then the rate of interest charged is traditionally very low. Although the days of charging 1 per cent are gone, the going rate is about 5 per cent on new mortgages. Again companies are reluctant to give precise details. And once the rate is agreed it is fixed unless the general mortgage rates come tumbling down. Many employees are paying 3½ per cent on mortgages arranged as recently as five years ago.

Restrictions

Naturally, there are restrictions on this scheme. When employees change house—and statistics show that an individual moves once every seven years—the capital profit on the sale, less an allowance for expenses, has to be used towards buying the new house. And if the employee leaves, then he either has to re-arrange the mortgage with a building society, or pay a commercial rate.

These schemes are specifically exempt from the Revenue clampdown on benefits in kind. But this only helps the Revenue's administration. Since mortgage interest is fully allowable for tax relief the Revenue would not get any additional revenue by taxing the interest up to the commercial rate as it will do by taxing other company loans to staff.

But such a staff mortgage scheme ties up considerable capital for long periods at uncommercial rates. Shareholders may well question whether it represents good use of resources. Consider a company with 2,000 employees. If just half of those take out mortgages averaging £10,000 then the company has £10m of capital tied up.

Very few commercial or industrial concerns could afford to allocate such an amount from working capital to run full blown staff house purchase schemes. But employers can assist their employees with their mortgage problems.

They can help in the paying of interest and there are two main methods at present in use. The first is to pay all interest payments above a certain level. For example, the company could pay all interest above 5 per cent, that is 4¾ per cent on the current rate of 9¾ per cent. The other method is to pay the interest on the first part of the loan, say on the first £10,000.

The outlay by the company is allowable for corporation tax purposes, but the employee is taxed as a benefit in kind. But since he is getting full tax relief on the interest payments he is not penalised.

Companies can also provide interest-free bridging loans for periods up to one year without penalty to the employee. But in all cases the £25,000 limit on mortgages for tax relief applies.

Companies can help in arranging mortgages for staff by reaching some agreement with a building society. This involves the company investing a certain sum on deposit with the society. In return the society will set aside a yearly allocation to provide mortgages for employees of that company. For example, a company could deposit £250,000 and the society would make £500,000 a year available for use by the staff. This level of allocation is not affected by change in the economic climate. Some building societies, mainly the large ones, will not participate in such schemes. But certain small ones are willing to do so.

BUSINESS COURSES

Tomorrow's Scotland—Opportunities and Dangers, St. Andrew's University, Fife, Scotland. September 15-17. Fee: £120, plus £9.60 VAT. Details from Risk Research Group, Bridge House, 181, Queen Victoria Street, London EC4V 4DD.

International Marketing in Today's Environment, Hilton Hotel, Brussels. September 20-September 22. Fee: BFr 25,900. Details from Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium.

Captive Insurance Companies — Establishment, Operation, Management. Royal Garden Hotel, London, September 28-29. Fee: £151.20. Details from Risk Research Group, Bridge House, 181 Queen Victoria Street, London EC4V 4DD.

Finance and Purchasing, Arlington Hotel, London. October 3. Fee: £60. Details from Purchasing Economics, Pel House, 35 Station Square, Petts Wood, Kent BR5 1LZ.

LOMBARD

Profile of a bank note

BY ROBERT GRAHAM, IN MADRID

THE ISSUE of a new bank note, and especially a new denomination, always calls for a curious readjustment in daily habits. The design, size and feel of the note, coupled with its denomination, influence such mundane matters as how money is carried and how much people carry.

The Bank of Spain has just issued a Pta 5,000 note, almost £35, making it both the highest denomination and the largest sized note available. Spaniards long used to having the Pta 1,000 bill (just under £7) as their highest denomination, are a little bemused by this quantum leap in the value of a single note.

Procedures

For several years now there has been a need to put a higher denomination into circulation. Despite the proliferation of banks in Spain the cheque and the credit card are still distrusted. Cashing a cheque at a branch other than where one banks is a lengthy and at times complex procedure scarcely designed to encourage the use of banking facilities, while cash is always preferred to cheques—less it seems because the client is mistrusted and much more because of the lengthy procedures for crediting cheques that can take up to two weeks to find their way from one branch to another. As a result people tend to carry with them much larger quantities of cash than they would in the UK. At a very rough guestimate I would think that the average Spaniard has three times more ready cash either on him or in the house than the average person in the UK.

Yet to carry large quantities of cash about (or to hide it at home) is enormously inconvenient if the biggest denomination remains the equivalent of just under £7. Moreover with the rates of inflation that Spain has been experiencing over the past three years, the individual amounts of cash carried have increased sharply, the new notes have therefore been keenly awaited.

In contrast to the dark green of the Pta 1,000 bill, the new notes are a dull violet. The design has been criticised not least because part of the lettering looks like cyrillic script that ill balances a portrait of Carlos III, one of Spain's most enlightened but less prepossessing monarchs. (The Bank of Spain has as one of its collection of six Goyas a devastatingly unkind portrait of the king depicting a bulbous nose and red face offset by an unflattering patch of white skin between brow and wig that marks the rim left by a hat.)

However, the design is not the most unusual feature. Careful scrutiny of the note reveals that it is dated February 6, 1976. In other words the notes were put into circulation two and a half years after the print blocks had been designed. Why the long delay? The answer is not a terribly mysterious one. Printing and then issue were held back largely because the authorities feared (rightly so) that such a high denomination would considerably facilitate the illegal export of currency. The Pta 1,000 note measuring 15.3 cms by 9.4 cms is a bulky item to carry in large quantities (the British £10 note is only 15 cms by 8.4 cms according to my measurement).

According to the Bank of Spain Pta 1m in Pta 1,000 notes weighs 1.2 kilos. Thus while the new note is some 14 per cent bigger in overall size, it makes it much easier to carry say Pta 1m across the frontier to the peseta market in Zurich. From the death of Franco in November, 1975, through to the devaluation of the peseta in July, 1977, there was a sharp increase in the illegal export of currency based on a mixture of political fears and concern over the value of the peseta. Just how much is uncertain but officials knew the outflow via this crude means was considerable. They also knew that higher denomination notes would add to the outflow—in the same way that the Italian L 100,000 note encouraged and facilitated illegal export of currency to Switzerland.

More relaxed

The authorities are now much more relaxed about such illegal transfers. Those with money are generally credited to have already got out of the country that part they wish to have outside. Further the political situation has stabilised so that although the investment climate has yet to reflect real confidence, very few are now sufficiently nervous as to want to sell out. Indeed there is a feeling that some of the funds illegally exported in the uncertain post-Franco period have returned, especially in the wake of the July 1977 devaluation. Finally surveillance at airports and frontiers is stricter and more effective. It is largely against this background that Spain has finally acquired a big denomination note.

The moral of all this could be that those countries with weak currencies and unstable political situations should as an elementary insurance against illegal capital outflows design large notes but of small denominations.

Lent lily will brighten February

GARDENS TODAY

BY ROBIN LANE FOX

WHAT OUGHT a gardener to have planned during his Bank Holiday weekend?

As each September looms, I think that the season has set a new record for bindweed: how can such tiny pieces throw out such enormous runners, each of which must be dug out thoroughly, root by root?

It is difficult, then, to think of much else, especially when bindweed has lodged itself in its favourite place, at the base of a wall which supports some prickly host for it, a rose or the like.

But while digging round such a point and wondering if the bindweed's roots would never end, I hit a group which diverted my thoughts. Up to the surface came a thick clump of double-nosed narcissi whose bulbs were already rooting freely.

It is common practice to delay the planting of daffodils and believe that they do not suffer too much. I disagree. As soon as the ground is not too hard for planting any number, the narcissi should be in and away, like my old clumps which are rooting already.

An early start will save you the replacement of too many blind bulbs after only one season.

You all have your favourites: some of you have your white elephants, too. One daffodil-connoisseur has passed a white elephant on to me, writing to point out that the lovely pure white Mount Hood, still the cheapest of white daffodils, lasted for a few years only and is not too suitable, to his mind, for a big planting in long grass.

For some while I have had a hundred bulbs in a spring flower bed and they have not decreased. Since this letter of complaint they have faded away in sympathy.

I mention this in case you are considering buying a 25 kilogram pack of a single colour, a favourable weight at which to buy. Mount Hood should not, perhaps, be your only choice. The other whites, Beersheba and Mrs. E. H. Krelage, would give a better run for slightly more money.

Remember, of course, that all daffodil leaves are poisonous to cattle, so keep them away from the milking sub-division of your smallholding.

At £3.30 for 100 the small Lent lily (narcissus lobularis) is still an excellent buy. The name are a muddle but Peter Nyssen, Railway Road, Urmston, Manchester, offer it at this modest price.

If you live on he heavy soil which it likes, you will delight in the pale yellow and cream white trumpet flowers. These spread through old grass on their small stems some nine inches high. There are spectacular wild meadows still in Dorset and above all near Dymock in Gloucestershire.

It is a Lent lily not because it is abstemious; it is simply the earliest, flowering as soon as February Gold in West Country gardens. Do not be put off by its modest height. In February it stands out quite clearly.

My favour for three other small ones grows with the years. So, too, do their clumps, making up for their slightly greater cost at first.

W. P. Milner, a foot high, is now well-known. A pale straw-yellow outside and a darker yellow in the trumpet, he is early in flower and quite excellent in those narrow beds in front of the house or on top of a stone wall in the front garden.

Window-boxes are all the better for him as he does not varieties. Each is an excellent white, flowering freely, though topple over in the wind or leave too dense a mass of long and ugly leaves.

Thalia and Silver Chimes are two fine hybrids, nearer to the jonquil and the angel's tear best in a sheltered place. Last year two good window-boxes in London's Berkeley Square had woken up to them and given them good space.

It is some while, however, since anybody spoke up for the reliable old white and yellow forms of Cheerfulness. My neighbour grows them splendidly in a sunless raised bed, a hint which I have taken up. They are late flowering, a useful sequel to W. P. Milner.

The flowers are those small double buttons, like a prolific jonquil's and the stems are only a foot high. The yellow one is just as good. If I could buy only one small daffodil for flower-beds in a small town garden, Cheerfulness would be so reliable and easily maintained from year to year. It does not insist on sun.

Not even Cheerfulness is quite so old and familiar as the freely-scented Pheasant's Eye. This is the one which all uncertain gardeners will agree to take in bulk. For it sounds alluring, though the limpid brown stare of a scared hen-pheasant is not what I would link with this white and orange-red late spring flower.

Be aware that there are two sorts. The large-flowered one called Actaea is bold, quite late and a very fine buy. But it is not the true Pheasant's Eye. This is the very late recurved variety, whose flowers are often overtaken by the first of the paeonies.

Sold correctly as Poeticus Recurvus, it is worth searching out for its scent and unusual season. It will show through rough grass and is not expensive. But this, of all narcissi, must be planted as early as possible. It is rooting during 11 months out of the 12.

What, though, am I buying for myself? I like to look closely into the small narcissi grouped in sixes in a pot. One of the best, it has long seemed to me at the shows, is called Snipe or Jack Snipe, a form of the small reflexed daffodil which has a specially simple and open line to the long trumpets of pale yellow, set off by six thin petals slightly curved back.

Snipe is a snip at 20p a bulb, including that from Potterton and Martin, Moortown Road, Nettleton, Lincoln. A five-inch pot of six bulbs together will make those tall Dutch hyacinths look quite overblown.

Be Hopeful memorial between Ramadan and The Goldstone

RACING

BY DOMINIC WIGAN

THAT REMARKABLE character Be Hopeful, more responsible than any other horse for setting Peter Walwyn on a successful training career when he consistently defied the handicapper against such memorable old-timers as Riot Act in the 1960s, is remembered at Bath today.

Mr. and Mrs. G. P. Williams, in whose red, black and gold colours Be Hopeful won 26 races, and Walwyn will be giving a bronze of the horse's head to the winning owner of the feature event, the Be Hopeful Memorial Handicap.

With the consistent Seven Barrows three-year-old, Rhineland, absent from this mile event, I hope that the prize will fall to either five-year-old Ramadan or six-year-old The Goldstone. Both carry 8 st 2 lbs and are in receipt of a good deal of weight from some modest opponents.

Ramadan, a chesnut horse by that brilliant winner of the King's Stand Stakes, Amber Rama, who might at last be beginning to establish himself as a sire, came closest to winning this season when failing by a head to cope with Priestcroft Boy at Hamilton last month.

In his only race since that narrow failure, Tom Marshall's horse — equally at home over hurdles—finished only fourth but probably put up a better performance when close up in Folkestone's Oaklands Handicap.

Ramadan was running on there with commendable resolution under 9 st 9 lbs at the end of the mile-and-a-quarter event and finished two lengths behind Assurance, Chorus Line, and Athenia Princess. Although he was in receipt of 3 lbs from Guy Harwood's winner, Ramadan was attempting to concede 37 lbs and 6 lbs respectively to the second and third.

In contrast to Ramadan, The Goldstone has been having a profitable time of late. A winner at Lingfield in June, Bill Wightman's gelding got up on the final strides to pip Monday's Wolverhampton winner Coquito's Prince (now bound for Santa Anita) last time out in the highly competitive Drayton Handicap at Goodwood on Cup day.

There should be little between him and Ramadan, but Geoff Baxter's strong handling — an aid which the powerfully made Wightman gelding clearly needs —should do the trick as it did at Goodwood.

In the Tog Hill Maiden Stakes, Banco's luckless sister, Shoe, looks capable of opening her account.

At Catterick, the late developing Heywood Hardy strikes me as the likely answer to the Maple Leaf Stakes, in which strong cases can also be made out for Quaker Star and Luna Nueva.

Luna Nueva, sure to be ideally suited by this sharp Yorkshire track, will probably provide the chief danger to her fellow Newmarket competitor.

BATH

2.00—Speedy Willow
2.30—Shoe**
3.00—The Goldstone
3.30—Centurion
4.00—Faringdon Bell
4.30—Djibway*

CATTERICK

2.15—Lumbardina
2.45—Heywood Hardy***
3.45—Slonan

Prestel to be marketed in U.S.

BY JOHN LLOYD

PRESTEL, the Post Office Viewdata service, will be marketed in the U.S. next year by Insac Data Systems, the company created by the National Enterprise Board to market UK computing and software systems throughout the world.

It is thought that Insac paid about £1m for the rights to market Prestel in the U.S. The company has researched the market for the system over the last six months and is confident that it is a large one.

Mr. Frank Stephenson, president of the Insac Group, the company's U.S. subsidiary, said: "The favourable reaction we have had so far from a wide range of American business interests — including many featured in the top 100 U.S. companies — has exceeded our expectations."

The system will differ widely from that which will come into service in the UK, mainly because there is no common carrier of telecommunications in the U.S. equivalent to the British Post Office. It is thought that Insac will market Prestel in association with a major U.S. electronics company.

Under the terms of the contract, Insac will receive from the Post Office exclusive rights to the use of Prestel computer programmes in the U.S., and will also have full access to the results of the Post Office's continuing research into the system.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University (ultra high frequency only). 9.55 Paddington. 10.00 Jackanory. 10.15 Grange Hill. 10.35 Big John, Little John. 1.30 p.m. Fingerbobs. 1.45 News. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Dastardly and Muttley in their Flying Machines. 4.50 Pink Panther. 5.10 The Winged Colt. 5.35 Captain Pugwash.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Taste for Adventure.
6.50 European Athletics Championships from Prague.
8.10 Z Cars.
9.00 Party Political Broadcast by the Conservative Party.
9.10 News.
9.25 Loose Change.
10.25 Come Dancing.
11.05 Omnibus.
11.50 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.35 p.m. Ci A Gerddo. 5.55 Wales Today. 6.20 Pawb Yn Ei Fro. 6.45 Heddiw. 7.05 Join BBC-1 (Athletics). 11.50 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.50 News and Weather for Scotland.

Northern Ireland—4.18-4.20 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.35 Gharbar.
11.00 Play School (As BBC-1 4.20 p.m.).
11.25 Open University.
4.55 Open University.
7.00 News on 2 Headlines.
7.05 Erica on Embroidery.
7.15 An ABC of Music.
7.30 News on 2.
7.40 Rhythm on 2.
8.10 Brass Tacks.
9.00 Party Political Broadcast (As BBC-1).
9.10 Eustace and Hilda.
10.15 Graham Parker in Concert.
11.15 Late News on 2.
11.25 Closedown (Reading).

LONDON

9.30 a.m. Elusive Butterflies. 9.55 Talking Bikes. 10.20 Oscar. 10.30 Ten Times Empty. 10.50 Nature of Things. 11.45 Cartoon Time. 12.00 Clopna Castle. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT Index. 1.20 Platform. 1.30 The Rolf Harris Show. 2.00 Summer After Noon. 2.25 General Hospital. 3.20 Whicker's World: Charleston South Carolina. 4.20 Michael Bentine's Potty Time. 4.45 Search and Rescue. 5.15 Gambit.
5.45 News.
6.00 European Athletics Championships.
6.30 Talk of the Devil.
7.00 Don't Ask Me.
7.30 Coronation Street.
8.00 Tony Hatch and all Kinds of Music.
9.00 Party Political Broadcast by the Conservative Party.
9.10 Best Sellers: The Aspen Murder.
10.10 News.
10.40 Mid-Week Sports Special.
12.10 a.m. Lou Grant.
1.05 Close: Michael Burrell reads a speech by one of Shakespeare's Kings.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am Dynomutt—the Dog Wonder. 10.40 Star Maidens. 11.05 The Gathering. 1.25 am Anglia News. 1.30 Those Wonderful TV Times. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.30 About Anglia. 12.10 am The Big Question.

ATV

9.55 am Talking Bikes. 10.20 Angling Today. 10.45 ATV Sport. 11.10 The Jetsons. 11.35 Magic Circle. 1.20 pm ATV Newsdesk. 2.0 Code R. 2.25 The Best of Ladies Night. 3.10 The Practice. 3.40 Money Go Round. 4.05 Christopher Crumpet. 5.15 Happy Days. 6.35 ATV Today.

BORDER

10.20 am Technofash. 10.45 In Search of . . . Call from Space. 11.05 The Gathering. 1.20 pm Border News. 1.30 Stars on Ice. 2.00 Houseparty. 5.15 The Rolf Harris Show. 6.30 Lookaround Wednesday. 12.10 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 1.25 The Mackenzie Affair. 3.20 No Borders to the Sun. 6.00 Channel News. 6.10 The Beatles. 6.30 Don't Ask Me. 7.00 European Athletics. 9.00 Review. 10.30 Channel Late News. 12.10 am News and weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.20 Oliver and the Artful Dodger. 11.05 The Gathering. 1.20 pm Grampian News Headlines. 1.30 The Family. 6.30 Grampian Today. 6.40 Police Newsroom. 6.45 Cartoon. 10.45 Street of San Francisco. 11.40 Athletics. 12.10 am Reflections. 12.15 Grampian Late Night Headlines.

GRANADA

10.25 am Sesame Street. 11.20 Solo One. 11.45 A Handful of Songs. 1.20 pm This Is Your Right. 1.30 George Hamilton IV. 1.55 The Challenging Sea. 5.10 The Undersea Adventures of Captain Nemo. 5.15 Crossroads. 6.30 Granada News. 6.35 Wait Till Your Father Gets Home. 12.10 am Kodiak. 12.35 A Little Night Music.

HTV

10.20 am Cartoontime. 10.35 The Young Country. 11.05 The Gathering. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 1.30 Stars on Ice. 2.00 Houseparty. 4.45 The Gene Machine. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Laverne and Shirley.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.20 am Clue Club. 10.40 Friends of Man. 11.05 The Gathering. 1.25 pm News and Road Report. 1.30 Lifestyle. 2.00 Women Only. 3.20 Survival Special. 5.15 Cartoon—The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Don't Ask Me. 7.00 European Athletics Championship. 10.40 Emergency. 11.40 European Athletics Championship. 12.10 am Late Call.

SOUTHERN

10.20 am Little House on the Prairie. 11.05 The Gathering. 1.20 pm Southern News. 1.30 Stars on Ice. 2.00 Houseparty. 5.15 Sinbad Junior. 5.20 Crossroads. 6.35 Day by Day. 12.10 am Southern News Extra.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.20 The Man Who Hated Laughter. 11.05 The Gathering. 1.25 pm North East News and Lookaround. 1.35 Dumb Show. 5.15 Happy Days. 6.30 Northern Life. 12.10 am Epilogue.

ULSTER

10.20 am Woobinda. 10.45 The Secret Lives of Waldo Kitty. 11.05 The Gathering. 1.20 pm Lunchtime. 1.30 Stars on Ice. 4.18 Ulster News Headlines. 5.15 The Mary Tyler Moore Show. 6.00 Ulster Television News. 6.05 European Athletics. 6.30 Reports. 6.45 Witherspoon. 12.12 am Bedtime.

WESTWARD

10.20 am The Beachcombers. 10.40 Out of Town. 11.05 The Gathering—Return of the Clansmen. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 1.25 The MacKenzie Affair. 3.20 No Borders to the Sun. 6.00 Westward Diary. 6.30 Don't Ask Me. 7.00 European Athletics Championship. 10.30 Westward Late News. 12.10 am Faith for Life.

YORKSHIRE

10.20 am "The Great Bank Robbery," starring Zero Mostel, Clint Walker and Kim Novak. 11.55 Cartoon Time. 1.25 pm Calendar News. 1.35 Dumb Show. 6.30 Calendar (Emley Moor and Belmont eds.).

(s) Stereophonic broadcast
† Medium Wave

RADIO 1 — 247m

5.00 am As Radio 2. 7.02 Paul Burnett. 9.00 Simon Bates including The Golden Hour. 11.00 Dave Lee Travis with the Radio 1 Roadshow from St. Austell. 12.30 pm Newsbeat. 12.45 Peter Powell. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (s). 12.00-2.02 am As Radio 2.

RADIO 2 — 1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (s) including 6.15 Pause for Thought. 7.32 Terry Wogan (s) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Bill Prince (s). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s) including 1.45 Sports Desk. 2.30 David Hamilton (s) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (s) including 5.45 Sports Desk. 6.33 Sports Desk. 7.02 Sing Something Simple (s). 7.30 Sports Desk. 7.33 Listen to the Band (s). 8.15 Semprini Serenade (s). 9.02 The Fred Astaire Story. 9.55 Sports Desk. 10.02 Offbeat with Braden. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Sports Desk. 11.15 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 — 464m, Stereo & VHF

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (s). 8.00 News. 8.05 Your Midweek Choice, part 2 (s). 9.00 News. 9.05 This Week's Composer: Sullivan (s). 9.50 Organ Music (s). 10.30 Music Making from Manchester (s). 11.40 BBC Scottish Symphony Orchestra (s). 1.00 pm News. 1.05 Bristol Lunchtime Concert. 2.00 Flamenco Recital (s). 2.35 The Symphonies of William Alwyn (s). 3.40 Composers at the Schola Cantorum (s). 4.40 Chilingirian String Quartet (s). 5.45 Homeward Bound. 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Language and Communication. 7.30 Proms 78, part 1: Beethoven (s). 8.30 The Arts Worldwide. 8.50 Proms 78, part 2: Stravinsky, Mozart (s). 9.50 Anna Wickham: Discussion—poetry reading. 10.20 Janacek Choral Music (s). 10.55 Vladimir Nabokov reads his own poetry. 11.05 Nicolai Medtner: Piano Concerto No. 2. 11.45 News. 11.50-11.55 Tonight's Schubert Song (s).

Radio 3 VHF Only—6.00-7.00 am and 5.45-7.30 pm Open University.

RADIO 4 — 434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today including 6.45 Prayer for the Day, 7.00 and 8.00 Today's News, 7.30 and 8.30 News Headlines; 7.45 Thought for the Day. 8.45 Daisy Miller. 9.00 News. 9.05 The Living World. 9.35 Sweet Songs of Zion. 10.0 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The Image Makers. 11.50 Letters from Everywhere. 12.00 News. 12.02 pm You and Yours. 12.27 Share and Share Alike (S). 12.55 Weather; programme news. 1.00 News. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre. 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Something to Declare. 8.00 Dictatorship of the Prigs. 9.00 Science Now. 9.30 Edinburgh Festival: The Royal Shakespeare Company and the Wuppertal Dance Theatre. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Britain Quiz. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 News.

BBC Radio London — 206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.03 Sounding Brass Strikes Again. 7.30 Black Londoners. 8.30 In Concert: Liszt Festival of London 1977. 10.03 Late Night London. 12.00—Close: As Radio 2.

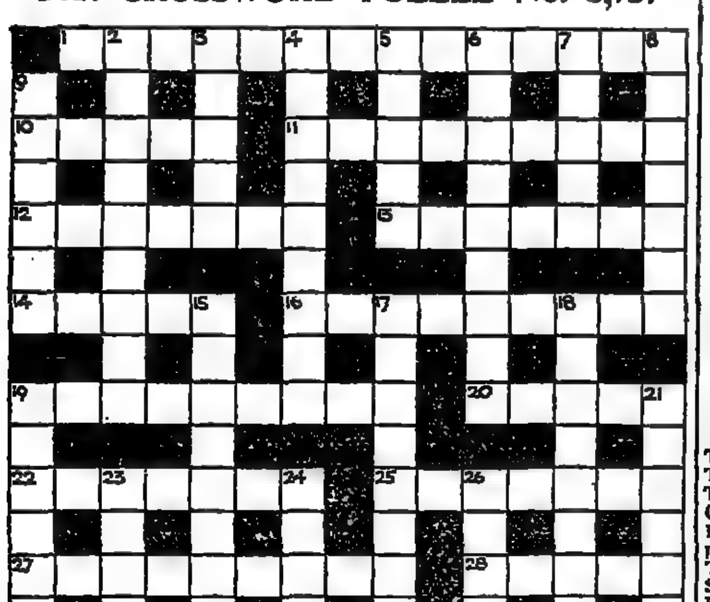
London Broadcasting — 261m and 97.3 VHF

5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio — 194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's "Music Line" (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,757



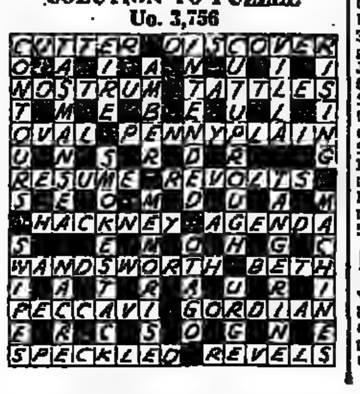
ACROSS

1 One man and his dog maybe or just another man (6, 8)
10 Beam about being abstinent yet irritable (5)
11 River chaps get in at will (9)
12 Ruler getting on in March (7)
13 One who gives in and gives out (7)
14 Rigid as a corpse? (5)
16 Kept down work newspapers put to editor (9)
19 Pore over offer made by opponent (9)
20 Sounding part of it on a lute (5)
22 Aeroplane landing with a right 19 (7)
25 Make a fresh request to gather in a fold (7)
27 Mix with fat and bury the French way (9)
28 Soft one in the ocean could be a cuttlefish (5)
29 Eldorado or a source of rich poems (6, 8)

DOWN

2 A bit added without stretching (9)
3 Course for a builder (5)
4 Guard on oath gives a rallying cry (9)
5 Giving religious instruction before going to heaven could be dangerous (5)
6 Degradation in a cellar (9)
7 Upper-class hang in the balance but stand upright (2-3)
8 Oriental disturbed tender and went in (7)
9 The first stove (6)
15 The reverse of 29 and defying metric laws (4, 5)
17 Bird with separate crest . . . (9)
18 . . . and another bird starts singing with Scottish musician (9)
19 Cleaning station with a cross (7)
21 Cover chap—a non-professional (6)
23 Rubbish Abyssinian leader left in the course of duty (5)
24 The smallest meadow over the way (5)
26 Perhaps is concealing an orbital point (5)

SOLUTION TO PUZZLE No. 3,756



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ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

COLISEUM. Credit cards. 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA. Tonight at 7.30. New production of Seven Deadly Sins with Gianni Schicchi. Tomor., Sat. and Tue. next at 7.30. Cavalleria Rusticana/Pagliacci. Fri. at 7.30 new prodn. of THE CONSUL (this replaces scheduled perf. of Carmen). For further details ring 01-240 5250. 104 balcony seats avail. for all perfs. from 10.00 on day of perf.

ROYAL FESTIVAL HALL. 928 3191. Eves. 7.30. Mat. Sats. 3.00. LONDON FESTIVAL BALLET. Last perfs. SWAN LAKE. Tonight Terabust. Sept. 4 to 8 Mixed Bill.

THEATRES

ADELPHI THEATRE. CC. 01-836 7611. LAST 7 WEEKS. MUST END OCT. 14. Evgs. 7.30. Mats. Thurs. 3.0. Sat. 4.0. IRENE IRENE IRENE. THE BEST MUSICAL of 1976, 1977 and 1978! IRENE IRENE IRENE. "LONDON'S BEST NIGHT OUT." Sunday People. CREDIT CARD BOOKINGS 836 7611.

ALBERY. 836 3878. Credit card bkgs. 836 1071-3 from 8.30 am. Party rates Mon., Tues., Wed. and Fri. 7.45 pm. Thurs. and Sat. 4.30 and 8.00. A THOUSAND TIMES WELCOME IS LIONEL BART'S OLIVER. "MIRACULOUS MUSICAL." Fin. Times. With ROY HUDD and JOAN TURNER. "CONSIDER YOURSELF LUCKY TO BE ABLE TO SEE IT AGAIN." Daily Mirror.

ALDWYCH. 836 6404. Info 836 5332. Fully air-conditioned. ROYAL SHAKESPEARE COMPANY in repertoire. Tonight 7.30 CORIOLANUS. "An evening of true theatrical glory" S. Times. With: final perfs. Strindberg's THE DANCE OF DEATH from Thurs.). NOW BOOKING for AS YOU LIKE IT (from Sept. 5). RSC also at THE WAREHOUSE (see under W).

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN. "Hilarious . . . see it." Sunday Times. Monday to Thursday 8.30. Friday and Saturday at 7.00 and 9.15.

AMBASSADORS. CC. 01-836 1171. Nightly at 8.00. Matinees Tues. 2.45. Saturdays at 5 and 8. PATRICK CARGILL and TONY ANHALT in SLEUTH. The World-Famous Thriller by ANTHONY SHAFFER. "Seeing the play again is in fact an utter and total joy." Punch. Seat prices £2.00 and £4.40. Dinner and top-price seat £7.50.

APOLLO. 01-437 2663. Evenings 8.00. Mats. Thurs. 3.00. Sat. 5.00 and 8.00. DONALD SINDEN. "Actor of the year." Evening Standard. "IS SUPERB." N.o.W. SHUT YOUR EYES AND THINK OF ENGLAND. "Wickedly funny." Times.

ASTORIA THEATRE. CC. Charing Cross Road. 01-734 4291. Mon.-Thurs. 8 pm. Fri. and Sat. 6.00 and 8.45. (Buffet food available.) ELVIS. "Infectious, appealing, foot stamping and heart-thumping." Observer. Seats £2.00-£6.00. Half-hour before show best available seats £3.00. Mon.-Thurs. and Fri. 6 pm perf. only. BEST MUSICAL OF THE YEAR. EVENING STANDARD AWARD.

CAMBRIDGE. CC. 836 6056. Mon. to Thurs. 8.00. Fri. and Sat. 5.45 and 8.30. IPI TOMBI. Exciting Black African Musical. "Packed with variety." Daily Mirror. Seat prices £2.00-£5.00. THIRD GREAT YEAR. Dinner and top-price seats £8.75 incl.

CHICHESTER. 0243 81312. Tonight and August 31 at 7.00. September 2 at 2.00.

HAYMARKET. 930 9832. Evgs. 8.00. Wednesday 2.30. Saturday 4.30 & 8.00. PAUL SCOFIELD, HARRY ANDREWS, ELEANOR BRON, TREVOR PEACOCK and IRENE HANDL in A FAMILY. A new play by RONALD HARWOOD. Directed by CASPER WREDE. "An admirable play, honest, well conceived, properly worked out, freshly and fittingly written, richly satisfying. Paul Scofield at his best." B. Levin, S. Times.

JEANNETTA COCHRANE. 01-242 7040. National Youth Theatre. A new play by Peter Terson. SOLDIER BOY. Evgs. 7.30. LAST WEEK.

KING'S ROAD THEATRE. 01-352 7488. Mon. to Thurs. 9.0. Fri., Sat. 7.30, 9.30. THE ROCKY HORROR SHOW. DON'T DREAM IT. SEE IT.

LONDON PALLADIUM. 01-437 7373. September 4. For one week only. THE MAX BYGRAVES SHOW.

LONDON PALLADIUM. 01-437 7373. Sept. 25. For One Week Only. LENA MARTELL. MICHAEL BENTINE. WAYNE KING.

LYRIC THEATRE. 01-437 3686. Evgs. 8.0. Mat. Thurs. 3.0. Sat. 5.0 and 8.30. JOAN PLOWRIGHT, FRANK FINLAY. FILUMENA by Eduardo de Filippo. Directed by FRANCO ZEFFIRELLI. "TOTAL TRIUMPH." Ev. News. "AN EVENT TO TREASURE." D. Mir. "MAY IT FILL THE LYRIC FOR A HUNDRED YEARS." Sunday Times.

MAYFAIR. 629 3036. Air cond. Evs. 8.0. Sat. 5.30 and 8.30. Wed. Mat. 3.00. WELSH NATIONAL THEATRE CO. DYLAN THOMAS'S UNDER MILK WOOD.

MERMAID. 01-248 7656. Restaurant 248 2835. Evening 7.30 and 9.15. EVERY GOOD BOY DESERVES FAVOUR. A play for actors and orchestra by TOM STOPPARD and ANDRE PREVIN. Seats £4, £3 and £2. "NO ONE WHO LOVES THE ENGLISH LANGUAGE AND THE HIGHEST COMIC ART CAN POSSIBLY MISS THIS PLAY." S. Times. "At last a meaningful and brilliant and serious political play." Clive Barnes, NY Post. Run extended to September 30.

NATIONAL THEATRE. 928 2252. OLIVIER (open stage): Ton't 7.30. Tomor 2.45 (low pr. mat.) & 7.30. The Woman, new play by Edward Bond. LYTTELTON (proscenium stage): Fri. 7.45. Sat. 3 & 7.45 (low pr. prevs.) The Philanderer, by Bernard Shaw. COTTESLOE (small auditorium): Prom. Season: Evgs. 8 (until Sat.) The Passion. Many excellent cheap seats all 3 theatres day of perf. Car park. Restaurant 928 2033. Credit card bkgs. 928 3052. Air Conditioning.

OLD VIC. 928 7616. PROSPECT AT THE OLD VIC. Beryl Reid and Anthony Quayle in THE RIVALS. Sheridan's comedy, with James Aubrey, Isla Blair, Kenneth Gilbert, Carol Gillies, Matthew Guinness, Mel Martin, Trevor Martin, Christopher Neame. Opens Sept. 4th, 7.00. Previews Tomorrow, Fri., Sat. 7.30.

PICCADILLY. From 8.30 a.m. 437 4506. Credit Cards 836 3071. Mon.-Thur. 8. Fri. & Sat. 5 & 8.15. Air cond. "Dominating with unfettered gusto and humour the BROADWAY STAR." D. Exp. SYLVIA MILES. "Towering performance." D. Mail. VIEUX CARRE by TENNESSEE WILLIAMS. "Works like magic." Financial Times. "There has hardly been a more satisfying evening in the West End . . . the BEST COMIC WRITING IN LONDON." Obs. "Sex running like an electric current." Fin. Times. "DIVINE INSPIRATION—AUDACITY OF HIS HUMOUR—HYPNOTIC EFFECT." D. Mail.

PALACE. CC. 01-437 6834. Mon-Thurs. 8.0. Fri. & Sat. 6 & 8.40. JESUS CHRIST SUPERSTAR by Tim Rice and Andrew Lloyd-Webber.

PHOENIX. 01-836 2294. Evenings at 8.15. Mats. Wed. 3.0. Saturdays 5.00 & 8.40. "TIM BROOKE-TAYLOR, GRAEME GARDEN make us laugh." Daily Mail. THE UNVARNISHED TRUTH. The Hit Comedy by Royce Ryton. "LAUGH. WHY I THOUGHT I WOULD HAVE DIED." Sunday Times.

SAVOY THEATRE. 01-836 8888. Credit cards 734 4772. Tom Conti in WHOSE LIFE IS IT ANYWAY? with JANE ASHER. "A MOMENTOUS PLAY I URGE YOU TO SEE IT." Guardian. Evgs. at 8.0. Fri. and Sat. 5.45 & 8.45.

SHAFTESBURY. CC. 01-836 6596. 01-836 4255. Half-price Previews from September 7. Opens September 13. TERENCE STAMP. DRACULA with DEREK GODFREY.

SHAW. 01-388 1394. National Youth Theatre in a new play by Peter Terson. ENGLAND MY OWN. Evgs. 7.30. LAST WEEK.

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Saturdays 5.30 & 8.30. NO SEX PLEASE—WE'RE BRITISH. LONDON'S LONGEST LAUGH—OVER 3,000 PERFORMANCES. GOOD SEATS £4.50-£1.50.

ST. MARTIN'S. CC. 01-836 1443. Evgs. 8.00. Matinee Tues. 2.45. Sats. 5 and 8. AGATHA CHRISTIE'S THE MOUSETRAP. WORLD'S LONGEST-EVER RUN. 26th YEAR.

TALK OF THE TOWN. CC. 01-734 5051. Air Conditioned. From 8 Dining/Dancing. 9.30 SUPER REVUE RAZZLE DAZZLE. At 11 PETER GORDENO.

THEATRE UPSTAIRS. 730 2554. Evs. 7.30. PRAYER FOR MY DAUGHTER by Thomas Babe.

VAUDEVILLE. 836 9988. CC. Evgs. 8.0. Mat. Tues. 2.45. Sat. 5.00 and 8.00. Dinah SHERIDAN, Dulcie GRAY. A MURDER IS ANNOUNCED. The newest whodunit by Agatha Christie. "Re-enter Agatha Christie with another whodunit hit. Agatha Christie is stalking the West End yet again with another of her fiendishly ingenious murder mysteries." Felix Barker, Evening News. AIR-CONDITIONED THEATRE. Limited Season: October 2 - December 2. AN EVENING WITH DAVE ALLEN.

VICTORIA PALACE. 01-828 4735-6. 01-834 1317. STRATFORD JOHNS, SHEILA HANCOCK. ANNIE. Evenings 7.30. Mats. Wed. & Sat. 2.45.

WAREHOUSE. Donmar Theatre, Covent Garden. 836 6808. Royal Shakespeare Company. No perf. ton't. Tomor. 8.00. David Edgar's THE JAIL DIARY OF ALBIE SACHS. All seats £1.80. Adv. bkgs. Aldwych. Student standby £1.

WHITEHALL. CC. 01-930 6692-7765. Evgs. 8.30. Fri. and Sat. 6.45 and 9.00. Paul Raymond presents the Sensational Sex Revue of the Century. DEEP THROAT. 7th GREAT MONTH.

WINDMILL THEATRE. CC. 01-437 6312. Twice Nightly 8.00 and 10.00. Sunday 6.00 and 8.00. PAUL RAYMOND presents RIP OFF. THE EROTIC EXPERIENCE OF THE MODERN ERA. "Takes to unprecedented limits what is permissible on our stage." Evg. News. THIRD GREAT YEAR.

WYNDHAM'S. 01-836 3028. Credit Card Bkgs. 836 1071 from 8.30 a.m. Mon.-Thur. 8.0. Fri. and Sat. 5.15 and 8.30. "ENORMOUSLY RICH VERY FUNNY." Evening News. Mary O'Malley's smash-hit comedy ONCE A CATHOLIC. "Supreme comedy on sex and religion." Daily Telegraph. "MAKES YOU SHAKE WITH LAUGHTER." Guardian.

YOUNG VIC. 928 6363. Opens 17 Sept. for 2 weeks only. PETER BROOK'S famous Paris production of Alfred Jarry's farce UBU (in French). Evgs. 7.45 (18 Sept. 7.15). All seats £2.50 (17 Sept. £1.50).

CINEMAS

Television

Too bad to be true

by ANTONY THORNCROFT

"It's so bad, it's good." What a wonderful excuse to watch all the old rubbish on television. No blushes about knowing where Meg Mortimer keeps the screw-driver in that tatty Crossroads motel or what to order for Ena Sharples if you spot her in the snug at the Rover's Return. You can enjoy it all and still keep your self respect as long as you know that "it's so bad, it's good."

This mild infection of hypocrisy can hit you at any time, even on an August Bank Holiday Saturday night. I have caught a mild dose of *3-2-1*, a quiz of such breath-taking complexity that to understand it probably qualifies you immediately for the final of *Mastermind*. The originator is counting his cash in Spain, and the fact that it has been transplanted from Spanish TV probably accounts for the incomprehension of it all. Compere Ted Rogers has obviously been locked in a small room for six months in order to understand the rules but for once that agonised grimace at camera, which is his stock in trade as a comedian, actually looks genuine.

Much of TV Times is given over to explaining it all, but in brief it is about people receiving envy-making prizes for failing to answer questions. Initially three couples win a fortune by naming as many words that start with a "b" that they can think of, or the like. The tough question last Saturday was naming British sovereigns from the present Queen backwards. You were given Queen Elizabeth II for starters and for one mark, and the couple managed to score one mark. Not that it prevented them going home very heavily laden. The odd thing about this part of the programme is that the winning couple immediately disappears until next week. While they spend seven days counting the pounds—and over the past few weeks the same pair must have amassed literally thousands—the losers get the chance of the really big prizes.

It is in the second and third halves of the show that a computer is needed to unravel the plot. Suffice it to say that on top of the sketches, questions, riddles, throwing games, celebrity spots, and jokes there is an overlay of pure nonsense. The hostesses, The Gentle Secs, of course, are lumbered with ornate spectacles, and a breathless selection of costumes. Most of them seem to be kidnapped from language schools so that their fractured English gives Ted Rogers a chance for an ad lib. There is a character called Georgie who, dressed in very butch chauffeuses uniform, drives on the cars which litter the set at intervals and does a very formal salute. And there is a back room where three very embarrassed looking actors go frantic every time someone gets an answer wrong and perform a bad joke as punishment. They are much used.

It is the daftness, and the perpetual action, that rivets the attention, plus natural greed at the sight of the prizes. The key to it all is that the couple that survive the early rounds can win either a motor car or a dustbin (or something in between). Just like in the good old days of "open the box" there is an audience to give bad advice. By deciphering wilfully obscure riddles a shiny Mini is yours—or a jokey dustbin Yorkshire TV has packed every conceivable idea for a quiz show or a variety show into an hour a week. It seems quite likely that some serious executive will try to bring sense or form or style to *3-2-1*: and then it will not be worth watching.

By chance the ITV companies on Saturday night are much concerned with giving away money and gifts—it is probably a consequence of all the cash that is pouring in from advertising revenue at the moment. Earlier there was *Mr. and Mrs.*, which is mainly interesting because it comes from Border TV, which maintains a precarious independence between Granada, Trident, and Scottish TV. And if you did not hit the cash jackpot on that show, a new series of *The Masterspy* has started, which has a quirky charm, largely because it is compèred by William Franklyn with an almost straight face. The idea here is that there are four new recruits for the Secret Service who have to pass a fairly serious examination to be accepted. One false move and they are eliminated. Unfortunately, elimination does not mean a hit man with a silencer, but being ushered off screen clutching a record player or a palm-sized television set. *The Masterspy* is bogged down with gimmicks, presumably because the ITV contractors believe them essential to hold an audience, but played straight it is a good idea which the BBC would have done wonders with.

Suddenly Saturday night is good television. For years the television companies imagined that the entire population was failing in its social duties if it did not organise its own Saturnalia but now they have relented, at least for the autumn and winter months. After *Match of the Day*, which is invariably the mismatch of the day, those not taking an early bath can be invigorated with *Revolver*, which has had more publicity than viewers. Finally catching it, I was much braced. This Mickie Most, finger-to-the-nose, stance against the big record companies, television pop shows, and the world at large, has a 1950's freshness and innocence. It brings home just how much good music there is coming up from street level. Doubtless most of the successful new wave bands getting an airing on *Revolver* will succumb to superstar luxury but as of now they are really trying.

The audience is ignored and Peter Cook's introductions are irrelevant: the strength of *Revolver* is the music. On Saturday X-Ray Spex and C Gas Five looked good, and if Most could decide whether to play up the oddities among the fans or just give us the music *Revolver* might in 10 years' time achieve *Ready, Steady, Go* status. With *Starsky and Hutch* underway on BBC 1 and Bruce Forsyth waiting in the ITV wings it isn't going to matter very much if your Saturday date falls through. Judging by the first episode *Starsky and Hutch* have had the teeth pulled once again: there was a lot of shouting, rather than shooting. Just as *Kojak* suddenly went soft almost over-night I fear that the BBC will have to find another American crime hero by next year. At this pace Bruce Forsyth, who can presumably dictate his terms at London Weekend, will be able to capture the audience without raising an eyebrow. BBC's Little and Large are fourth division stuff in comparison.

If ITV seems to be wrapping up the lighter side of life at weekends the BBC still stays supreme in the higher levels. The commercial channel may unearth "silly" characters, like Magnus Pyke, who has sunk hopelessly into self-parody, but the BBC produces the genuine article. The latest is Alec Clifton-Taylor who is front man for a series of six programmes about English towns, going out on Fridays. The last two, on Tewkesbury and Stamford, have been gems, making you keen to visit the places, happy that they should be in England, and also pleasantly diverted, too.

Clifton-Taylor is the plain man's Betjeman. While Sir John is carried into romantic flights by the spiritual glories of architecture Alec (no one would possibly dare call him that to his face) concentrates on the down to earth side, literally, because he traces the development of the towns through the local building materials. In his exposition it is not the architect that matters so much as the brick or the slate or the wood that lies nearby. I always imagined Stamford to be a wasteland of the A1 but judging by the photography of Ken Westbury it is a splendid, solid, place. Tewkesbury had its image polished last week and Totnes is due for the treatment this Friday. It is perhaps blinkered to be introduced to towns through their buildings rather than through their people, or their personality, but this perspective provides the ground rules. That is the great thing about television: it looks after the whole man. It is just a question of being alert on Fridays for the geography lesson and relaxed on Saturday for "3-2-1."

Can Bruce Forsyth drive a wedge between Starsky and Hutch (David Soul and Paul Michael Glaser)

New York

From the closet to the stage

by FRANK LIPSIUS

The subject of homosexuality and the theatre is generally confined to backstage gossip, but New York this season "came out of the closet," with a number of plays presenting homosexuals on stage. Not that this season is the first, or that plays in the past have not been more successful or better. However, there is a noticeable change in focus: when a homosexual appears on stage *now* the play is not necessarily *about* homosexuality any more than blacks appearing on stage means the play is about civil liberties, as once was true.

The best example of this change is in the amusing Broadway whodunit, *Deathtrap*, which is otherwise as formulaic as a game of chess. The story starts with a strong premise—a middle-aged writer with a writer's block reads the work of a young student and finds it to be a perfectly contrived and written play in the whodunit genre. No one knows the neophyte writer; he is presently unemployed and house-sitting for a vacationing couple; the play has been seen by no one else and the young man is willing to bring along all his notes and original copy to a story conference at the older man's house.

All this is revealed in the first ten minutes of the play. What is not known and becomes crucial to the plot later on (without ruining it for those intending to see it) is that the young playwright is a homosexual.

In the dark ages of the past, there would have been an insulting inference drawn between such a sexual preference and a nefarious plot, but not here. It it a welcome possibility, well within the bounds of reasonableness (certainly more than some other elements of the plot); the author, Ira Levin, an accomplished practitioner of the genre (he also wrote *Rosemary's Baby*) turns it to good use. John Wood is just right as the frustrated older playwright, luring the acolyte to his house while railing against a New York cultural establishment that has not appreciated his last few efforts.

The funniest scenes in *P.S. Your Cat Is Dead* have a burglar caught by his victim trying to seduce that victim, both of them male. The play provides New Yorkers with the vicarious gratification of seeing the tables turned on a burglar caught in the act. The fury of the resident is compounded by this being the third recent break-in, all done — it turns out— by the same man. Strapped down to the kitchen table in the flat, Vito, played with vigour and good spirits by Vasili Bogazianos, does everything to talk his way out of his predicament. As the flat dweller's fury abates, Vito gets more amorous and eventually admits he has no place to go; so he would just as soon stay right there with his victim, an out-of-work actor.

The title of the play comes from a note left for the actor by a girl friend walking out on him. It might as well have been called something about a cat's nine lives, since the play has had a number of productions and revivals, before and after failing last year on Broadway. It is now doing well at the Circle in the Square in Greenwich Village in a production directed by Robert Nigro.

This genre has produced one more off-Broadway success this season: *Family Business*. The story of four sons who inherit a rather large business and estate. Before the father dies in the first act, he shows a definite preference for the youngest son, one of two who live at home. Of the others, the eldest works in the successful family retail business and the next in line is a psychiatrist in constant need of money.

The father gives the bulk of the estate to the youngest son, who then becomes the centre of family attention. As a homosexual, he finds the attention particularly unbearable because the rest of the family find out about his unorthodox private life. He was right to want to hide it from them, as the playwright, Dick Goldberg, effectively shows. Richard Greene is particularly good as the eldest brother, showing loyalty in everything, however painful it becomes for him. The others are equally well-defined characters, who meekly accept the terms of the will (which the father explains to them before he dies), but try to alter the boy's behaviour.

Where once there was only exploitation entertainment about homosexuality, now there are what might be called serious explorations of it, like the San Francisco Gay Men's Theatre Collective production, *Crimes Against Nature*. Nine men dressed in slacks and coloured undershirts each tell of a childhood or formative influence on his present life. In between tales they dance, limber up and encourage each other. Their stories rarely get from anecdote to art, but one of them, who discussed his drug addiction, did show the potential of the undertaking—had the participants been chosen for their acting rather than for their stories.

Much more successful is the film, *Word Is Out*, which had a commercial release in New York, with its interview of 26 homosexuals. All of them thought they were born homosexuals, making them particularly vehement about the persecution they used to suffer. Done by the Mariposa Film Group, also in San Francisco, the work was not particularly well organised. People were divided into meaningless categories, which were interspersed with superfluous shots of homosexual night club entertainers. But there were enough telling moments to make the film a milestone of self-expression for the homosexual community.

And, as final corroboration that New York is coming out of the closet, there was a recent television programme about a transexual psychiatrist. Produced by the local station of the NBC network, it was a half hour of filmed interviews done throughout the course of the transition of Dr. Eugene Hoff's becoming Dr. Jeanne Hoff. Despite apprehensions from herself and friends, Dr. Hoff expresses his need of and full commitment to the necessary operations, ending up in a dinner party after it is all over with the comment, "Puzzling, isn't it?"

Frank Field and Lynn Redgrave make sympathetic interviewers, able to turn Dr. Hoff's cooperation into a full portrait of someone, in the now familiar terminology, imprisoned in the wrong body. Having gained a certain measure of acceptance, certainly in cities like New York and San Francisco, the homosexual community is in a healthy state of exploring and explaining, as much for itself as for the community at large.

Joel Polis and David Rosenbaum in "Family Business"

Salisbury Playhouse

Under the Greenwood Tree

The fiftieth anniversary of Thomas Hardy's death was remembered in the West Country last week and, on Friday night, I paid a most rewarding and enjoyable visit to Patrick Garland's new adaptation of the novelist's affectionate lament for the passing of the 19th-century rustic gallery choirs. This, as Edmund Blunden observed, is the gentlest of Hardy's tales, charting the love story of Dick Dewy, the tranter's son, and Fancy Day, the village schoolmistress, against a precisely observed background of music, rural camaraderie and the changing seasons.

Hardy subtitled his 1872 work "A Rural Painting of the Dutch School" and Mr. Garland responds with stage pictures of appropriate warmth and charm. The Mellstock Quire gather by lantern light for their Christmas duties and, after serenading far-flung cottagers, fetch up in the warm glow of the Dewy household for dancing and cider. "We must be about the last of the old string players in the county," ponders old grandfather William. The new vicar, Maybold, is about to follow fashion and replace the choir with a sedate harmonium.

That transition is colourfully done by Fancy leading a strong female descant from the pews and installing herself, later, at the vicar's wheezy instrument. The story is a little streamlined by reducing the churchwarden, Shiner, to a peripheral character and elaborating on Maybold's rivalry to Dick for Fancy's hand. The result is a lessening of Fancy's dramatic impact, for neither do we learn anything of her family's aristicratic pretensions. But this liberty is fully justified in terms of stage action and does concentrate Hardy's leisurely plotting.

Mr. Garland has also raided a Hardy short story for a wonderfully poignant conclusion, in which the slumberling choir spring to life in mid-service with a raucous rendering of "The Dashing White Sergeant." Banished at last, they line sorrowfully along the back of the stage to back up a farewell performance of the 100th Psalm ("All people that on earth do dwell") that has run thematically through the evening.

The company play with spirit and good humour, members of the choir revealing their musical talents on fiddles, clarinets and serpents. You really do get a feeling of music running through their collective veins, and shutting them out from the church services is equivalent to stopping their life blood. Hardy, writing as usual about an earlier period of English history, was saddened by the damage done to the social fabric of little village communities.

This comes forcibly across, especially in the nut-brown, agreeable performances of David Bacon as the rubicund tranter, Terence Conoley as pleasant old Elias Spinks, George Gabriel as the trembling Thomas Leaf, and Gilbert Wynne as the bent but life-loving cobbler, Robert Penny. The young lovers are discreetly played by Geoffrey Kirkness and Suzan Crowley.

MICHAEL COVENEY

Reading rock

by ANTONY THORNCROFT

"This is an auspicious day," said Patti Smith. "We have got a new Pope and I think he is OK. He guards the treasures and he gives blessings. Not bad." John Paul I is off to a good start if he gets the nod from Smith, the androgynous ex-Warhol freak who has kicked and cursed and conned her way up the pop ladder to head the bill at the Reading Rock Festival on Sunday night.

But then Patti Smith has changed. It might have been her hit single, "Because the Night"; it might have been the civilised traditions of the Reading Fest, the most respectable, business like, and relaxed of occasions, but Patti was almost domesticated. She still looks like a Bisto kid but, as she was keen to point out, the baggy old shirt cost a fortune, and as for the tweed jacket! Now she has arrived Patti Smith is much tamer, admiring the audience rather than abusing it, and singing less interesting songs with more confidence. Some of the passion seemed spent but that is probably because the crowd was punch-drunk with hour after hour of music — and politics.

There had been more hectoring earlier from the Tom Robinson Band, the defiantly left-wing, gay group which manages to rest snugly and profitably inside EMI, the biggest multinational record company. Tom Robinson looks too nice to mean what he says, and why he should pick on Reading town council, which co-operates sympathetically with the festival, is beyond reason. His music was uncertain to begin with, even powerful songs like "Up against the wall" fading into the dusk. There seems a gap between the tough biting lyrics of the Band and its subdued stage performance, and saying he did not play "Glad to be gay" for lack of time is pathetic. There were a few clenched fists at the end but a cynic would be confident that Tom Robinson is following Patti Smith into the warm.

It was the American-based Foreigner which enlivened the evening with music. There is no pretence that this is anything but a very commercial hard rock band, as up to date as 1974. But as the darkness came in those wailing guitars and that thumping beat was more true to the Reading Festival—cosy, conservative and calming.

Albert Hall/Radio 3

BBC Scottish

by RONALD CRICHTON

Karl Anton Rickenbacher and the BBC Scottish Symphony Orchestra brought with them on Monday a work new to the Proms, Edward Harper's *Seven poems by e e cummings*. This is a spring-winter cycle, ending in tranquility with implied hope of renewal. Harper throws into his vocal line many effects familiar in modern scores — speech, bursts of coloratura, long-sustained notes, syllables drawn out into extended melismatic phrases. He uses them not merely as effects but to enhance the words. Whatever the voice does, the words and their sense come over. Somehow Harper finds a musical parallel to the verbal and typographical conceits and quaintnesses of his poet which match those qualities while stressing them less than the genuine feeling they coyly decorate.

He can use well-tried devices freshly. There is a recurrent phrase, heard at the opening and often subsequently, of fluttering repeated major thirds. The fourth song, a touching and relatively straightforward lyric beginning "i carry your heart with me" is set almost entirely on one note, with a shifting instrumental background. This has been done before, but Harper has chosen the apposite moment, at the actual and emotional centre of his cycle, to do it. More than once I felt conscious of Brittenish shapes and textures, but the influence is positive, not slavish. There is much orchestral writing—the silver, glassy sound of the fifth song, for example, and the nearly but not quite voice-drowning brass writing in the sixth—of which the master might well have been proud.

The cycle deserves a more memorable title. "Seven poems by . . ." will do well enough for songs with piano, but won't lodge a work with orchestra in the public mind, as the neglect of some excellent, similarly titled works of the present century has proved. Moreover, as any critic knows, the name e e cummings, outside the world of book pages, is vulnerable. For the foreseeable future Harper's cycle may be closely connected with Monday's interpreter, Jane Manning. This soprano has done noble work for the music of our day, and, in particular, contemporary British music, but she can't have had all that many new works to perform so well suited to her as this one. With her pure but not large tone, her ability to sing dead in tune, and her even rarer way of carrying the sense of words over long-held syllables, she proved herself exactly the kind of singer for whom the Albert Hall is a gift.

This Bank Holiday Prom also included Mozart, Debussy (with James Galway to play the former's G major Flute Concerto and the latter's *Syrinx*) and Strauss's *Macbeth*. Mozart's Jupiter Symphony was given with attentive phrasing and sensible speeds, but the result was sometimes thin. Mr. Rickenbacher bunched his players round him when it would have been wiser to fan them out: the back violin desks of even the grandest orchestras sound skinny when heard from behind.

Edinburgh Festival

The Three Sisters

by B. A. YOUNG

The Royal Shakespeare Company's touring production of Chekhov's *The Three Sisters*, at Daniel Stewart and Melville College, is not so austerely mounted as their *Twelfth Night*, though it is certainly not indulgent. There is a real backcloth in John Napier's design, a brown wall with a row of icons suggested more than represented; and a good deal of furniture is needed for the Prozorovs' house. Trevor Nunn (whose first Chekhov production this is) was brave to choose a play so full of tangible detail for his mobile company. His bravery is rewarded with almost complete success.

The fire in Act Three is the only part of the play that I felt less than convincing. The sound of fire bells and church bells offsets the atmosphere, but on stage I thought the confusion was inadequately indicated. I did not at all visualise the lower part of the house full of poor people taking refuge from their burning homes. Apart from the cheerful, soot-grimed Fedotik (Jeremy Blake) everyone seems almost as tidy and clean as usual, though the fortissimo hysterics of Susan Tracy's Natasha certainly suggests an extreme of impatience. Miss Tracy charts the rising index of Natasha's vulgarity exactly. She does not so much allow her any change in her behaviour, she demonstrates how what she had worried about originally she later believes to be the standard everyone should aspire to.

There is little family likeness in the three Prozorov sisters. "You must remember there are three heroines," Chekhov wrote to Gorky, "and each of them has to be made according to her own pattern." Bridget Turner's Olga, the eldest, looks twenty years more than her 28 in Act One, but five years later, in Act Four, her appointment as headmistress has smoothed out the lines of worry that afflicted her before. Emily Richard makes the youngest, Irina, a square, almost military girl, who would be a Women's Liberationist in our day but in hers must make the most of a passion for work that does not always survive the experience of work itself. She would have made an efficient wife for Tusenbach, had he survived; and Roger Rees's kindly Tusenbach would have kept her from despair such as she so piercingly displays after the fire.

Masha, the middle sister, is brilliantly played by Suzanne Bertish, her emotions veiled behind her usual reserve until at her final parting from Vershinin she breaks into childlike howling that reaches the very nadir of despair. Her colonel is hardly worth such tears; Edward Petherbridge, in a well-judged performance, indicates a supercilious nature that perhaps shows itself most characteristically when he remarks "How odd all this is really"—a pretty modest estimate of affairs in the Prozorov family.

Andrei, the unworthy head of that family, is played by Ian McKellen with his usual resourceful invention and a crumpling into tearful self-pity that is a masterpiece; and there are performances, right down to deaf old Ferapont, that show Trevor Nunn's remarkable, and enjoyable, capacity for re-thinking old thoughts and instilling the company with his genius.

Bridget Turner, Emily Richard and Suzanne Bertish in "The Three Sisters"

A "new" Constable discovered

What has been rumoured in art circles for years is to be reported as fact in the September issue of the Burlington Magazine —that some of the works attributed to John Constable in collections throughout the world are actually the work of his fourth son, Lionel. Mr. Leslie Parris, the deputy keeper of the British collection at the Tate Gallery and art historian Ian Fleming-Williams, have been working on the clues for some time.

The confusion started when the artist's grandson, Hugh Constable sold 177 works which he attributed to his grandfather to Leggatt's, the dealers, in 1899. In fact most of the family painted, and it now seems certain that at least 14 of the sketches, drawings and paintings were by Lionel, who was only nine when his father died.

It is unlikely that any other important paintings by Constable will be queried and the majority of the mis-attributions are probably to be found in the collection sold to Leggatt's. With hindsight it is surprising that the errors persisted so long. The sketch in the Ashmolean at Oxford, for example, which is now thought to be by Lionel, was always considered inferior to the other Constables in the Museum, and is a view of Cornwall, a county never visited by John Constable. But director David Piper is not too perturbed by the discovery: it brings forward a new artist whose known works, at least at the moment, are rare.

A.T.

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Islam's power and the Shah

THE SHAH OF IRAN was probably being tactful in delaying the announcement of a new government until the conclusion of a weekend of mourning for the death of Ali, the Moslem Shi'ites first Imam. Nevertheless, the appointment of Mr. Jaafar Sharif-Emami to succeed Mr. Jamshid Amouzegar came as a surprise—mainly for two reasons. First, it came soon after the horrific fire in an Abadan cinema in which nearly 400 people were killed. Popular reaction to it has ranged from criticism of the incompetence of the local police and fire authorities to suspicion among opponents of the Shah that it could conceivably have been set up by the government itself—to discredit those causing disturbances elsewhere. To have changed government in those circumstances might have been taken as a sign of weakness. Secondly, it might have seemed inappropriate to appoint a new Cabinet just before the important visit of Chairman Hua Kuo-feng. The Shah has regarded both these considerations as secondary.

Liberalism

Whatever the timing or the reasons, the appointment of Mr. Jaafar Emami is symptomatic of a display of apparent flexibility and liberalism which the Shah has been trying to put across with increasing determination *of late. In broad terms, his* campaign started some two years ago. In the last nine months he has pressed on in spite of an increasing number of violent outbursts in the main urban and religious centres of the country. Just over a fortnight ago martial law—for the first time in 25 years—was declared in Isfahan. But before that, the Shah had announced his intention to hold free elections next June, in which members of Rastakhiz, the sole political party, would be able to stand alongside individuals, who might come from anything but a Communist background. Since the declaration of martial law, and the Abadan fire, the Shah is on record as saying that short of civil war he will continue with liberalisation.

There appear to be four main reasons for the Shah's decision to liberalise. First, in the longer term, he has an eye on the succession of his son, Crown Prince Reza. He is aware that he cannot continue for ever to govern autocratically with the help of SAVAK, the secret police. As a result he has to try to establish political institutions which will be self-perpetuating and acquire an authority of their own, supplementing that invested in the position of Shah. Secondly, the U.S. while in broad agreement in political and economic terms, has made it clear that it thought very little of the Shah's civil rights record. Thirdly, he needed to embark on a new political experiment after the failure of a two-party political system and the single-party rule of Rastakhiz, which was created at the beginning of 1975. Thus the hope is that after next June the foundations of a multi-party political system should emerge. Fourthly, the Shah felt the need to create an outlet for political expression.

At the heart of the present unrest is less opposition from the *Left* (although it plays a part) than from Islamic leaders. The reasons for this are not hard to find. Nine-tenths of the population are Moslem Shi'ites. In previous years, freedom of expression has been so curtailed that the mosque has been the natural gathering place and religion the natural outlet for opposition to the government. As Iran's oil wealth has seeped through the system, the government has emphasised the material gains which the Shah has brought about.

By contrast, the religious leaders have been distressed by the growth in materialism (hence banks, drink shops, restaurants, hotels and nightclubs have been obvious targets for bombs) and have attempted to claw back some of their authority from the government.

Challenge

The Shah is—in authorising his new Prime Minister to close gambling dens and reintroduce *the Islamic calendar—indulging in his favourite tactic of stealing his opponents' clothes.* But unresolved is the basic question of political power. The Shah recently openly professed himself to be a believer, but in Saudi Arabia another Moslem country whose society is under stress from the impact of sudden wealth and Western technology—there would be no need for such a profession. The power of the throne and the church (as it were) and the link between them are taken for granted. But the challenge which the Shah has belatedly recognised, and is trying now to meet, is this fundamental gap.

Third World self-help

THE DEVELOPING countries, in seeking to expand their exports of manufactured products, are increasingly frustrated by protectionism, especially in the U.S. and Western Europe. While they will continue to fight for freer access to these markets, efforts are also being made to stimulate trade among the developing countries themselves. They have the capacity to supply each other with a wide range of manufactured goods, many of which now come from traditional suppliers in the industrial world. But if the opportunities are to be exploited new trading relationships and new patterns of industrial co-operation will have to be established. A move in this direction is the conference which opens today in Buenos Aires on technical co-operation among developing countries. The aim is to encourage the transfer of technology developed by third world countries to others in the same category. The pooling of knowledge and experience will, it is hoped, help to build "new bridges" between developing countries and provide a stimulus to trade and economic development.

Technology

At present nearly a quarter of all developing countries' exports goes to other developing countries and the fastest-growing element in this trade consists of manufactured goods. According to the World Bank's recently published World Development Report, nearly a third of the growth in trade in manufactures among developing countries has been in machinery and transport equipment: yet more than 90 per cent of their requirements in this sector is supplied by imports from the industrial world. Clearly there are some sectors where manufacturers in the third world lack the technology or the scale needed for low-cost production, but the number of these items is diminishing as industrialisation programmes proceed.

Some countries such as South Korea and India have found a ready market for engineering products and other capital goods in the oil exporting nations of the Middle East. They have taken business away from traditional Western suppliers, partly on the basis of price, but sometimes also *because their designs are better* suited for operation in non-industrial countries.

A key issue in the longer term is the willingness of developing countries, some of which have put great stress on import substitution and national self-sufficiency, to move towards a greater degree of specialisation and interdependence. Some of the regional groupings which have been established in recent years, *like the Andean group* of countries in South America, should, in theory, facilitate such specialisation, but the practical results have so far been disappointing.

Adjustment

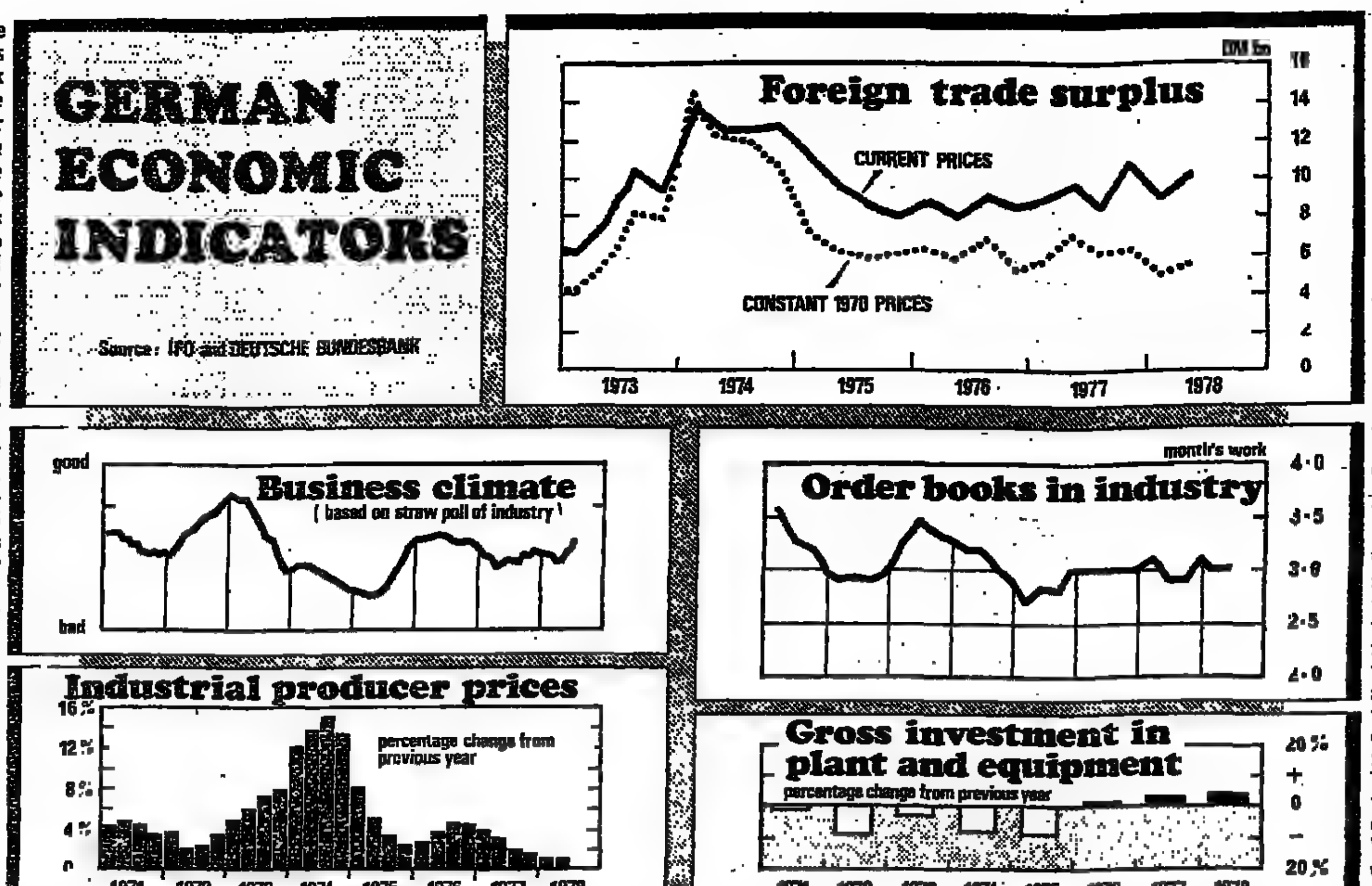
Some of the more advanced developing countries are at a similar stage of development and they may wish to invest in the same industries: the political attractions of having their own integrated steel works, petrochemical complex and the like may outweigh the economic benefits of specialisation and co-operation. Thus the developing countries' attempt to stimulate trade among themselves could run up against the same problems which have slowed down their exports to the industrial world. Just as the industrial nations are reluctant to drop out of industries in which they have ceased to have a comparative advantage, so the newly industrialising countries may be tempted to spread their investments over too many sectors. In both cases an adjustment of industrial policies will be needed if the hoped-for expansion in trade is to materialise.

German business takes renewed heart

By JONATHAN CARR, Bonn Correspondent

IT LOOKS almost like the good old pre-recession days in West Germany. The stock market is booming, with the indices at their highest for eight years. The building industry is crying out for more labour to help it to keep pace with orders. Volkswagen is looking for sensible ways to invest its soaring profits—and the inflation rate is well under 3 per cent. The survey released this week by the IFO economic research institute of Munich confirms what has been in the air for some time — a sense of growing business confidence.

At first glance this seems odd. After all it has long been generally agreed that the Government's initial hopes of 3.5 per cent real growth of Gross National Product this year (after 2.4 per cent last year) cannot be fulfilled. A peculiarly bad first quarter put paid to that. Now Government officials are inclined to talk about growth of between 2 and 3 per cent — which, experience suggests, means a final result closer to the lower end of the range.



There are still close to 1m unemployed — a huge waste of human and financial resources even when all the qualifications have been made (such as the large number seeking part time work, the lack of labour mobility, and so on). Moreover the summer months have again brought at least a mini currency crisis — something that usually brings cries of apprehension from German exporters fearful of the effects of a rising exchange rate.

What, then, explains the current, relative, optimism? It can hardly be the direct result of the stimulatory package agreed by the Cabinet at the end of last month in fulfilment of Bonn's pledge at the western economic summit conference. The measures involved — totalling DM12.25bn (about £3.1bn) or about 1 per cent of GNP — will start to take effect in the course of the next year at the earliest. Further, the abolition of the payroll tax, one of the proposals, remains in hot dispute between Bonn and the Laender authorities which fear a serious and possibly irreplaceable shortfall in their revenue.

But although the most recent Government steps cannot yet be working, it seems clear that earlier programmes to boost the economy are now making a measurable impact. IFO notes that private consumption in the first half year *rose in real terms by 3.5 per cent* (6.5 per cent in nominal terms) and expects this also to be the pattern in the second half. It believes such an impact would not have been possible without earlier tax concessions giving people more disposable income.

IFO also cites the DM 16bn. medium-term investment programme passed by the Government last year as the key reason for the present public sector construction boom. The building outlook for 1979 is good too, with total production in real terms expected to increase by 5 per cent against 4 per cent this year and 2 per cent in 1977. The big problem is that much qualified labour left the industry during the bad years and is now reluctant or unable to return. Nearly 30 per cent of all building contractors surveyed by IFO said current activity was being curtailed by lack of staff.

The institute finds that, in July, use of capacity by manufacturing industry as a whole was up to just over 80 per cent. For the first time since the end *of 1976 the number of entre*preneurs planning to increase production surpassed the number of those who did not.

The picture is not, of course, even overall. By no stretch of terminology can the situation in the iron and metal working or in the oil refining sector be called satisfactory. Two-fifths of companies surveyed producing capital goods say they have insufficient orders in hand and some sectors that are reporting an improvement have so far been in a very poor situation indeed. But the overwhelming judgment is of an upturn in business and a satisfactory outlook for the next six months.

The Government can thus fairly claim that part of the current upswing is a direct result of its past programmes of expenditure and tax concessions. But it is also worth mentioning a setback which might have occurred—but so far has not—just because of those programmes. It was widely feared that the high level of public borrowing would over-stretch the capital market, sharply drive up interest rates, make *life more expensive for private* sector borrowers planning investment—and thus undermine the very upswing the Government said it wished to engender.

This was the fear that Herr Helmut Schmidt, the Chancellor, voiced before the western economic summit—that Bonn might be virtually forced by its partners into taking domestic stimulatory action which would drive up the public sector deficit still further in 1979. At least part of the danger has been averted by Bonn's decision to raise Value Added Tax by 1 per centage point to 13 per cent from next July to help finance the other measures.

As for this year, there has indeed been some upward pressure on interest rates, at least partly related to the subsequent outflow of those foreign funds which have poured into *the country during the round* of the dollar crisis played out around the turn of the year. However, latest figures show the Federal Government has already financed about 80 per cent of its net credit requirement for 1978—thanks in part to a bigger tax take than first estimated.

Clearly next year the tight rope walk may be no easier between the need to obtain credit and the need to encourage low interest rates (not to speak of the desire to avoid a brush with the Constitutional Court because the Government may have exceeded the restrictions on borrowing laid down in the Basic Law). But *if the economic upturn in the second* half of this year continues into 1979, and there seem to be fair prospects that it will, the tax take should rise above current estimates.

It is fair to note that at least one economic institute has recently suggested that the latest currency unrest could destroy hopes of a German export boost in the last part of this year. People other than Germans who read that the country's trade surplus for the first seven months totalled DM 21.2bn, slightly higher than at the same time last year, may feel no further such boost to be desirable anyway. However, the surplus figure alone does not give the full picture. In volume terms imports are growing faster than exports—perhaps a sign that the accumulated increases of the value of the Deutsche Mark in past years are at last having an effect.

That said, the latest plummeting of the dollar has made notably little general impact in West Germany. Herr Otto Schlecht, State Secretary in the Economics Ministry, has told exporters not to gaze at the dollar rate alone "like rabbits at a snake." And indeed it may be unwise, in any case, to draw too much attention to the trade figures with the U.S. in the first half year, which show (in Deutsche Mark terms) exports rising by 17.5 per cent and imports falling by 5 per cent compared with the same period last year.

The key point is that some 60 per cent of West German exports go to other European countries—against whose currencies the Deutsche Mark has this time moved up relatively little or has actually devalued (most notably against the Swiss franc). The currency uncertainty has obviously not helped business confidence—but the actual movement of the Deutsche Mark since the end of last year appears hardly to have undermined further the price competitiveness of German exports.

If government officials are inclined to draw any conclusion from the latest unrest, it is that it provides further confirmation of the need to press ahead with a new European monetary system as outlined by the French and Germans. It is noted that since the start of this year the Deutsche Mark has risen by only about 1 per cent against *the lire, 3.5 per cent against* sterling, and has fallen by 2 per cent against the French franc. All three could thus have been linked into a system including the present "snake" currencies without bringing massive problems of intervention and inflationary danger for the Bundesbank.

It can easily be argued that the recent improvement of the business climate is an uncertain affair easily reversed by cold breezes either at home or abroad. In Bonn there is clearly much trepidation about the outcome early next month of the Middle East peace talks in the U.S.—and the fear that a failure could raise the spectre *of a new oil embargo.* Throughout West Germany there is the uneasy feeling that another terrorist attack may be in the offing. Last year the murders of Herr Juergen Ponto, the banker, and of the industrialist, Dr. Hanns-Martin Schleyer, shocked the nation and worsened the business climate in a way no less powerful for having been unquantifiable.

Yet there are some grounds for believing that the improvement of the climate reflects a fundamental change of mood. In the aftermath of the oil crisis much of industry seemed afflicted by the sense that a virtually uncontrollable structural upheaval was under way — that control was passing out of private, perhaps even out of European, hands. In the meantime problem sectors whose existence seemed threatened have rationalised and have made a striking come-back. One clear example is the German textile and clothing industry, now once again a notable exporter after years of rationalisation, including painful cuts in the labour force, which often seemed to many to presage extinction.

The country's biggest industrial enterprise in terms of turnover, Veba, the energy concern, has come bouncing back this year with markedly *improved profits* and a big programme to cut excess refining capacity and move into higher-value chemicals. In the retail trade the big stores are more effectively facing up to the challenge of changing consumer tastes—changes at first widely interpreted as a general reluctance to spend rather than as a desire for different products and better service.

None of this is to suggest that major problems do not exist—but rather that they are seen as difficulties to which solutions can be found. There does not seem much prospect that the really high economic growth rates of the 1950s and 1960s will return. That seems to imply a movement towards shorter working time if that large, hard core of unemployment is to be cut.

The immediate prospect for this year is of real GNP growth *by something more than 2 per* cent with an inflation rate somewhat less than 3 per cent. This is not exactly what the Government was aiming for, nor what partner countries were hoping for. But it is not far from that "economic upswing with price stability" which West Germans have so long recommended for themselves.

MEN AND MATTERS

Uneasy wait for the Front

A certain quiet girding of the loins is now under way over the delicate question of air time to be allocated to the National Front during the elections. The BBC says details of such broadcasts will only be announced after the dissolution of Parliament. But a spokesman tells me that any party with 50 or more candidates on nomination day will receive five minutes on television and the same on radio.

The NF has already announced that it is going for quantity and expects to qualify for time—as it did in October 1974 But whether its voice will actually be heard remains uncertain.

Part of the problem for the Front stems from a campaign being mounted by CARM, the Campaign against Racism in the Media, and the Anti-Nazi League. They have already put out a leaflet insisting that there is no legal requirement to give the NF time on the air. A campaign spokesman told me they believed that the NF seeks to use the media to "harass others on the grounds of race."

The campaign threatens to picket the BBC on September 14 but more serious for the Front is the news that NF broadcasts could be blacked by technicians. Allen Sapper, Joint General Secretary of the Association of Cinematograph and allied Technicians, says "Our members have not got an absolutely agreed line on the NF, but they have on racism. If the NF deals with immigration or community relations in a racist way I think there would be objections to transmitting it."

The National Union of Journalists has also just put out a pamphlet advising members to "seek rebutting comments" when interviewing representatives of "racist organisations." But it seemed less worried about the party election broadcasts than about day-to-day coverage of the elections. It feared that NF candidates might be given equal billing on local radios with candidates of the major parties, but on the parties' cherished set TV pieces warned dampingly: "They seem to be almost irrelevant: research shows that they are the big switch off."

"For once a Constable around when we didn't really want one!"

Stony road

As part of its efforts to create an "effective and clean" administration the Indonesian Government has banned all civil servants and members of the military from visiting nightclubs, saunas, and gambling houses. Under the austerity campaign they are also prevented from holding "excessive" dinners, giving and accepting gifts, and travelling abroad without permission.

Officials at the Indonesian Embassy in London seemed unperturbed at the thought that such restrictions might apply to them. Perhaps they have become used to the Government's more quirky edicts. Last year the police chief in Jakarta was reported as saying he would be issuing his men with rocks to hurl at cars unless motorists obeyed the new computer-controlled traffic lights system.

Silver lining

Greek shipping may be weathering heavy storms at the moment, but the magnates of Piraeus have lost little of their entrepreneurial flair. Certainly the urbane Anthony Chandris, president of the Union of Greek Shipowners looked entirely buoyant when he turned up in New York yesterday for the court-ordered auction of the SS America.

The former luxury liner once provided the venue for a Churchill-Roosevelt meeting, but recently acquired some *notoriety under the ownership* of Venture Cruise Line. Venture Cruise's first effort was a "Cruise to Nowhere" from New York at the end of June. For a large number of the passengers it turned out to be just that. They demanded to be put off the ship before she had even sailed under the Verrazana Narrows Bridge — apparently the problems were a lack of lavatories and an over-abundance of *fellow-travelling cockroaches.*

The SS America was later seized by the U.S. Marshal when the crew complained they had not been paid. And it was snapped up by Chandris at yesterday's auction for $1.01m. The shipowner says he will be spending about $2m on a refit. There can be no doubt he has the money. Venture Cruise bought the ship for $5m in April — from Chandris Cruise Lines.

Wood work

Anyone walking past a demolition site must have been struck by the wanton destruction of perfectly good timber, often burnt to make the tea. It came as a surprise to me to learn that there is just one company in Britain recycling wood on any scale—Kelsall Timber in Bradford, which has just re-timbered one of England's oldest piers, at Saltburn in Cleveland. The cost, using hardwood, was half that of using new and unseasoned material.

Tom Kelsall, 40, managing director, tells me the company was set up only three years ago and is now turning over about £130,000 a year. "When we started everyone said it was impossible. We used to make pallets and it struck me the timber was just too good for that. But with the first few local authorities I approached the architects threw up their hands in horror at having fences made of secondhand timber."

It was not until he went along with some samples that he managed to secure a £35,000 order for fencing at Gateshead, and since then he has not looked back. Among his growing list of local authority clients are Lewisham and Surrey County Council.

"We send out pitch pine for fences and I'm told pitch pine is almost impossible to get now," he says. "It's beautiful stuff. It'll still be around in 50 years' time, and it's sad to *make fencing out of it.*" But so far builders have been reluctant to use recycled wood, despite the 50 per cent price advantage. "The fear is that one rotten roof timber could wreck their reputation," says Kelsall.

Son of Hobson

A reader who recently moved house tells me that she found a note addressed to "The new occupier." "Dear Madam," it read, "If you have not yet selected your milkman, may we respectfully suggest you try us? Our service is second to none. In addition, there are no other milk supplies in the district."

Observer

FINANCIAL TIMES SURVEY
Wednesday August 30 1978

NIGERIA

Part 2 of this Survey (Part 1 appeared yesterday) reviews the Nigerian economy sector by sector and discusses the long-term needs and planning its rulers must tackle to ensure full development of its potential.

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Danger in the incomes gap

By Martin Dickson

"We then got caught up in the conflict of culture, of trying to graft the so-called sophistication of European society to our African society. The result so far has been abysmal failure. We are betwixt and between." Lt.-Gen. Obasanjo, September, 1977.

This remarkably blunt statement by Nigeria's Head of State, taken from an important speech in which he analyses his country's social ills, is the starting point for this introductory article to the second section of the Financial Times survey of Nigeria, covering the economy sector by sector.

Nigeria is "betwixt and between"—politically, economically, socially. Politically, in that it has been seeking, and now hopes it has found, a suitable constitutional framework for its rapidly changing society. After 13 years of military rule, and if all goes to plan, a civilian Government will take over the reins of power in October next year.

Economically, in that Nigeria, to a far greater extent than any other African country, has the opportunity to turn itself from a poor purveyor of the developed world's raw materials into an industrialised nation. That metamorphosis is still a distant gleam on the horizon which may take generations to achieve, but it is no whimsical fantasy.

Nigeria's short-term economic prospects, recounted in the first part of this survey, are not particularly rosy. The oil-fired boom of the last few years is over. The economy has turned sharply down and no sustained recovery seems likely until the early 1980s. But provided the Government acts to check the current serious imbalances in the system, the long-term outlook remains bright. For the next 20 to 30 years oil will continue to fuel the engine of development. To this another extremely important revenue earner may be added in the 1980s—liquefied natural gas.

The quadrupling of oil prices in 1973-74 enabled Nigeria to embark on the most ambitious development plan ever mounted in Africa. But that plan was wildly over-ambitious. It assumed that the country could push forward simultaneously on every front at an extremely rapid rate, brushing aside enormous manpower constraints. It set no clear-cut priorities and laid far too little emphasis on inter-sectoral linkages. Government expenditure fuelled the rocketing inflation that remains one of the country's most serious problems. Inflation, coupled with declining oil earnings, rapidly made the Government's capital expenditure plans redundant and brought in balance of payments problems.

Painfully

The Nigerian Government has learnt painfully from the mistakes of the past. All the indications are that realism coupled with revenue constraints have created a far more cautious approach to development in the 1980s. But it will be a civilian administration that oversees that development, an administration with political debts to pay, political balances to keep in check.

It is essential that it pursue the path of caution now being charted and redress the imbalances in the economy. Its actions could determine Nigeria's economic path for all of the coming decade and even longer. One of the most difficult yet crucial challenges facing it will be to revive the seriously ailing agricultural sector.

Socially too Nigeria is betwixt and between. Gen. Obasanjo may be being too harsh on his fellow countrymen when he calls the adoption of Western ways "an abysmal failure," but certainly there are some very disturbing traits in Nigerian society, which the Head of State has himself analysed and excoriated.

In his speech last September he said the aim should be to turn Nigeria into a "disciplined, fair, just and humane African society." This, he said, Nigeria was not. There was a selfishness which degenerated into indiscipline, lawlessness and disorder. Nigeria was still a country where "people employ all foul means and devices, including connection at high places, to obtain what may not be due to them."

Corruption pervades urban society, from the highest reaches to the lowest. Kickbacks may have been long common among the elite (dubious practices during the early 1960s were amply described in Chinua Achebe's novel "A Man of the People") but corruption has now spread its tentacles far wider; the policeman who invents a traffic offence and demands a bribe, the airline official who will only confirm your seat on an aircraft when money has passed hands.

Gen. Obasanjo has himself recognised the seriousness of the problem, in his speech last September. Not only does corruption point to a serious distortion of social values, a selfish hustling towards the materialistic millenium; it also reinforces the divisions between society between the haves and the have-nots, between rural and urban.

Rapid development has almost certainly increased the inequities in Nigerian society and in many respects this is the most serious challenge now facing the Government. It is important to stress this in an article examining the economy because, perhaps more than anywhere else, growth statistics in a rapidly developing country like Nigeria mean nothing unless they are placed in a social context. The pattern of economic development helps mould a certain kind of society, while social goals should mould economic policy.

Trade-off

The present Government, to judge by Gen. Obasanjo's remarks, is acutely aware of the problem and is doing what it can. The difficulties that it faces—and its civilian successor will face—are enormous. There is in Nigeria an extremely complicated trade-off between economic and social policy and political practicalities.

There is much that can be criticised about Nigerian society, from the muddled planning (symbolised by the phones that do not work, the traffic jams on the roads and the chaos at airports) to the distortion of values. But one of the healthier signs is that Nigerians do criticise, and vociferously—even if they resent it when the same criticisms are made by foreigners.

Moreover, in the light of the West's history of industrialisation it is hardly surprising that there should be distortions—and the difficulties facing Nigeria are infinitely greater than those faced by the West, if only because Nigeria is trying to achieve in a generation or two what it took the West at least a century to achieve, and then from a much more developed base.

Nigeria, it has to be remembered, is a poor country with by far the largest population in Africa (80m-100m), divided on tribal lines and growing by perhaps 2.8 per cent per annum (2.5 per cent officially). Its people are noted for their disrespect for authority—no small factor when it comes to maintaining public utilities or gathering taxes. It has a small and growing elite of top level manpower, but this has to be spread far too thinly, given the size of the population. Within seven years of independence, it fought—and has had to recover—from a bitter civil war.

When into this cauldron were thrown sudden riches in the form of the oil boom, it is hardly surprising that major problems should have ensued.

That said, criticisms of Nigeria should not just be explained away by historical inevitability, foul-ups justified by the nature of the stage of history through which the country is passing. That way lies a dangerous complacency.

Against this background, and as the military prepare to hand over power to a civilian Government, what is the social and economic balance sheet of the past few years and where does Nigeria go from here?

The 1975-80 development plan, which still forms the basis of Nigeria's long-term economic strategy, laid particular emphasis on five areas: the provision of a sound infrastructure necessary for sustained industrialisation; the establishment of numerous State-backed basic heavy industries drawing to the maximum on local raw materials, and the encouragement of private industrial investment, together with the transfer of technology from Western companies; greatly improved educational opportunities, including free primary education for all; the upgrading of rural life through the provision of such services as pure water; and the rehabilitation of agriculture. Inevitably the results in each area have been mixed.

To the visitor to Nigeria the most visible signs of progress are in the field of infrastructure. An impressive network of flyovers and motorways constructed remarkably quickly, now twists through and above and around Lagos. The city's traffic congestion problems may not have been solved, but there has been an immense improvement. Serious traffic jams still occur in other Nigerian towns and cities, but there has been a substantial improvement in the nation's road network.

The appalling port congestion of 1975—the result of bad planning—has eased, thanks in no small measure to the construction of the new Tin-Can Island port in a mere 15 months.

Improving

The communications network may still be very poor (phones do not work and domestic telegrams may take a fortnight to arrive) but the position is slowly improving.

In the industrial field, the Government is slowly moving ahead with its major public sector investment programme in basic industries—downstream petrochemicals, iron and steel, paper and pulp, cement and sugar.

The programme is generally considered to be soundly based (with some inevitable quibbling about specific projects). But lengthy feasibility studies, manpower constraints and financial problems all mean the programme is progressing more slowly than the Government would like.

In the field of private sector investment the results to date have not been so encouraging. Imbalances in the economy mean that it is difficult to attract the Nigerian entrepreneur who can more profitably put his money into trade or buildings. The burden of new investment has fallen on the subsidiaries and associates of expatriate companies.

For these the current downturn in the economy and the latest equity "indigenisation" programme seem to have acted as a disincentive, at least temporarily.

CONTINUED ON PAGE XXXII

DEVELOPMENT

A sober attitude

Lower than expected revenue, high inflation and severe manpower constraints have upset the calculations that lay behind Nigeria's current development plan, the most ambitious in Africa. Substantial progress has been made, but numerous projects will be rolled over to the next plan period, which officials see as a time of consolidation.

IN 1975, with great fanfare and apparently boundless optimism, the Nigerian Government launched the most ambitious five-year development programme ever formulated for an African country. Drawn up amid the heady days of the 1974 oil boom, the plan document reflected the extraordinary euphoria of those times: It was clear, it said, that "finance is unlikely to be a major problem during the Third Plan period."

Oil production was projected to rise to 3m barrels a day by 1980. Large overall balance of payments surpluses would occur throughout the quinquennium, although these would gradually fall during the period to N2.3bn in 1979-80.

Today, a radically different position confronts a sadder, wiser and different Government: oil production, which has never pushed past the 2.3m b/d mark, fell to 1.5m b/d earlier this year and now stands at around 1.9m b/d. The overall balance of payments went into deficit in 1976 and has remained there. The Government is having to borrow heavily, both at home and abroad, to finance its plan projects.

While a great deal has been achieved during the past few years, implementation of many projects will now be delayed and others will be quietly dropped. In its last budget, the Government made clear that capital expenditure during the present financial year would, for the most part, be limited to servicing projects that were already under way.

That said, little purpose is served by taking the performance targets outlined in the original development plan and comparing them with actual performance. For one thing, the assumptions on which those targets were based have now been proved sadly inaccurate. For another, development plans throughout the Third World are at best a guide to the way the Government intends moving the economy (and at worst, though certainly not in Nigeria's case, they can smack of advertising prospectuses for potential aid donors). Performance rarely matches aims. Projects are, as in Nigeria's case, inevitably rolled over to the next plan period.

What is more useful is to attempt to assess both the strengths and weaknesses of Nigeria's development programme and, most important of all, where it intends going from here.

There can be no doubting the sincerity that lay behind the third development plan: the desire to proceed as rapidly as possible, to establish "the infrastructure necessary for sustained industrialisation;" the emphasis on "improving the welfare of the average Nigerian" in rural areas; the recognition that an improvement of the poor performance of the agricultural sector was of "vital importance."

Weakness

But behind this lay one central, crucial weakness—the misguided, though perhaps understandable, assumption that Nigeria could rush forward on all fronts simultaneously. Four essential factors were ignored or minimised: the need for clearcut priorities; financial constraints; the extraordinary manpower problems posed by the plan; and the inflationary effects of Government expenditure at the level projected.

It is conventional wisdom to criticise the now-pilloried Gowon Government for assuming that oil production would rise to 3m b/d by 1980. This is not entirely fair. Predicting future oil demand is a notoriously risky business (take, for instance, the current conflict between petroleum economists about likely demand in the 1980s), and some corporate oil sources acknowledge that even their projections for Nigerian crude production were pitched far higher in 1974 than they are now.

But the Gowon Government did act extremely rashly in taking the most favourable set of possible circumstances as the basis for its plan. Nor was careful expenditure encouraged by the setting of two spending levels: an "effective" level, deemed to be the optimum rate of spending by state governments and ministries, and a "nominal" level, set far higher, which was the rate at which agencies were free to disburse funds if they were able to.

By 1975, when the document was published, Nigeria's oil production had already fallen markedly and, though temporary, this made the plan's assumptions redundant. Furthermore, inflation, fuelled by government expenditure, was already sending the cost of projects spiralling upwards.

July 1975 saw the fall of the Gowon regime and a new government pledged to cleansing Nigeria's economic "Augean stables." It undertook a review of the development plan in the light of the changed circumstances, but the results, published the following year, were mixed.

The revised plan was a rushed job. This is clearly shown by the fact that of the two volumes meant to be published (volume one covering the macro-economic framework and volume two a revised list of projects) only the second volume appeared. Little fresh macro-economic work was done. Again, this is understandable, given the pressure of time and limited manpower. But inevitably this meant inconsistencies.

Nor was there a thorough reappraisal of the effects of inflation. The cost of projects which were not near implementation were not revised upwards.

To its credit, the Government did cut out some projects included in the original plan, but at the same time, wanting to stress its reforming image, it increased its targets in some areas of social welfare. Thus the housing programme was upped from the original (and optimistic) target of 60,000 units to 200,000, the hospital beds target was increased from 87,000 to 120,000 and the rural water supply programme was doubled.

Some would argue that the overall result of this greater emphasis on "the welfare of the common man" was to more than offset the savings made by the cuts in the programme—that the level of real expenditure was increased rather than diminished.

When the effects of inflation were added, the Government reckoned that its revised programme would mean a nominal public capital programme of N43bn (N33bn in the original plan) and an effective programme of N26.5bn (N20bn). But the increase would have been even greater if the Government had made revised, inflationary estimates for all of the projects.

In fairness to the Government, it should be emphasised that at the time the revised plan was drawn up it appeared that the fall in oil production might be temporary. Furthermore, the new Government did face powerful political imperatives to demonstrate its concern for the ordinary Nigerian. As in 1974, the Government was acting from the best possible motives but its planning was not of the best.

The result was insufficient control over expenditure, a tendency reinforced by the profligate attitude of state Governments and limited inter-ministerial co-ordination. Thus it was that late last year the Government, faced once more with declining oil earnings, found that existing contractual commitments were likely to exceed available revenue for 1978-79 by between 20 and 30 per cent, according to informed sources.

A much more sober attitude now prevails in Lagos, as shown by the drastic cutback in expenditure in the last budget. All the indications are that the Government is determined now to keep a very close check on spending levels. The lessons of the past five years seem to have been painfully but thoroughly learnt.

Manpower has been another major constraint on development, and it remains one of Nigeria's most pressing problems. Although the country possesses a highly qualified and able élite, rapid development has forced this to be spread very thinly on the ground. A severe shortage of middle-level manpower has added to the burden of this hard-pressed band.

Moreover, there has been a worrying drain of top level manpower from the civil service in recent years. Many men have been wooed into private enterprise. But the most serious shake-up was imposed by the Government itself. In 1975, it sacked more than 10,000 civil servants for alleged incompetence or corruption and while these charges were doubtless true in many cases, they were not necessarily so in all.

The sweeping change meant not only an outflow of men who had been on top of their jobs; it also produced a witch-hunt atmosphere in Government from which the civil service has not recovered.

Yet the manpower necessary to implement the plan is staggering. To take just one example, it was estimated that a workforce of about 450,000 would be required to implement the public sector's building and construction projects, including 12,000 senior professionals, 22 intermediate staff and 250,000 skilled and semi-skilled workers. This implied a doubling of the then available manpower.

Development at the grass roots: Nigerian villagers drawing on piped water supplies.

Leaving aside implementation problems, what of the plan's basic strategy and aims? Few would dispute that the Government's broad aims are sensible, although there will inevitably be some questioning of specific projects. The emphasis has been on a radical improvement of the infrastructure, the establishment of an impressive range of basic industries drawing on local raw materials, greatly improved educational opportunities and increased agricultural output.

The Government's accomplishments in each of these areas (agriculture being, at present, a crucial exception) must not be minimised. Despite financial and manpower constraints, there have been some impressive achievements, which are dealt with in separate articles in this survey.

But with hindsight, the Gowon administration's failure to lay down a clear list of priorities has meant a considerable degree of arbitrary expenditure on poorly conceived projects — money which could far better have been used elsewhere.

Furthermore, critics argue that the plan has always smacked of a collection of shopping lists submitted by each ministry with little regard for the programmes of the others.

To take but one example: it has been estimated that, as originally conceived the Government's planned nitrogenous fertiliser plant would have produced at least 10 times as much fertiliser as is currently consumed in Nigeria. It is true that a very small proportion of Nigerian farmers use fertiliser and therefore, in theory, there should be a ready market for the product and the excess could be exported. However there is little point in thrusting fertiliser (at greatly subsidised prices) on to smallholders who do not have the technical know-how to use it properly. And, given their present numbers, Nigeria's agricultural extension workers are simply not equal to this educational task.

Amid these imbalances, amid financial and manpower constraints, one of the most encouraging features of Nigeria's development programme is that officials do seem to have learnt a great deal from their mistakes, and this is reflected in the ideas now being formulated for the fourth development plan, to run from 1980 to 1985.

For the first time, the Government is soliciting the views of the private sector on development planning, both at Federal and State level. For instance, the Oyo State Government sponsored a seminar last May on planning strategy for the 1980s, which was attended by more than 250 people, ranging from Permanent Secretaries of Ministries through farmers, trade unionists and teachers to representatives of the market women.

Extracts from some of the papers presented show that a great deal of thought was put into this meeting.

The local wing of the Nigeria Union of Teachers praised the aims and objectives of the Government's policy paper on education but complained: "When we compare the realities of the practice of education in this country with the set of ideals and goals, we only see the policy paper as merely utopic."

The Permanent Secretary in the Oyo State Ministry of Agriculture maintained that "the picture on the agricultural front can only be described as alarming" and complained that in the 1975-80 plan there had been "a glaring distortion of plan sectoral priority ranking" which had discriminated against agriculture. Yet this could have been minimised if proper guidelines on project financing had been made part of the plan.

"I am sure you will agree with me that a lot more will be needed for the 1980-85 plan, both in terms of well prepared projects and a highly disciplined approach to financing and implementation of projects," he declared.

Oyo, which has a strong intellectual tradition, may not be typical of Nigeria's 19 states, but this seminar does suggest a far greater awareness of problems and possibilities at state level, where some of the most serious misuse of funds has occurred in the past four years. The cynical might say that the states have not learnt their lesson, but this view is not reflected in their budget cutbacks this year.

At federal level too, a far more sober approach obtains among officials. The attitude seems to be that in the next plan period the emphasis should be on consolidation rather than expansion. More thought will be given to the maintenance of existing assets. Expenditure is unlikely to exceed that of the current plan, now projected at between N25bn and N30bn. Projects scheduled for the current plan, but which have not been started, will be appraised afresh in competition with new ones.

Yet officials are the tools of their political masters and Nigeria's civil servants are due to have a new set of masters by October next year—civilian politicians with electoral debts to repay, who have not gone through the suffering and learning of the past few years. If these men do not proceed cautiously, they could upset the fresh development programme now being drawn up.

To some extent their hands will be tied, at least at federal level. A preliminary outline of the fourth development plan is likely to be published by the end of this year. Many projects in the planning or early implementation stages will be rolled over to the 1980s.

Nevertheless, a grave responsibility will lie on the shoulders of the new leaders: to ensure that every project to which they give their assent means a genuine capital asset for the nation and not merely cheap political capital for themselves.

M.D.

ENERGY

Uneven oil output

The dramatic fall in oil production earlier this year has underlined the importance for Nigeria of a sensitive pricing policy. Production has now partially recovered, but the outlook for the next few years is not particularly bright. A substantial improvement in the market is, however, expected during the 1980s—a time when Nigeria might also bring on stream its proposed liquefied natural gas plant, which should be another immense foreign exchange earner. Nigeria's domestic energy demands are growing rapidly and the electricity system has been unable to cope. Power blackouts are one of the most frustrating features of Nigerian life. Articles on this and on the next page examine these aspects of the country's development.

The Nigerian economy is still suffering from the impact of the dramatic fall in oil production which reached crisis point in the first quarter of this year. June and July production figures showed signs of a rapid recovery with average production for the month of July up to 1.912m barrels per day (b/d). But the fall which began in earnest in October, 1977, and carried on through March, 1978, emphasised both the dangers for Nigeria of having a single commodity economy and the need for greater sensitivity in its pricing policy.

The feeling among some oil experts in Nigeria is that, at least for the time being, the Government is showing a greater readiness to understand the requirements of the market and the problems of the operating companies on whose expertise the Nigerian oil industry depends heavily. The introduction of a handling allowance in May gave Nigerian crude the edge it needed on the market and encouraged the turnaround in the second quarter of this year which gave rise to hopes that production might reach 2m b/d by the end of the year. In order to ensure that turnaround Nigeria has brought down the price of its Bonny light crude from its record $14.61 at the beginning of 1977 to its present $14.10.

But of potentially greater significance to the oil industry is the growing awareness among Nigerians that the country needs a long-term energy policy. Gone are any thoughts of pushing production up to 3m b/d as envisaged in the Third National Development Plan. Even if it were technically possible to achieve that level of output (which it is not), the inclination of those who govern the country's oil policies seems far more towards long-term planning, energy conservation and more consideration of what Nigeria's own energy requirements will be by the year 2000.

The growth rate of Nigeria's domestic consumption is one of the most important variables in the planning equation. The spectacular rise in car ownership, the energy hungry development programme and the growing needs of industry are pushing Nigeria's home consumption of oil up by 25 per cent a year. At a recent oil seminar in Lagos it was stated that even with a more conservative rise in demand of between 10 and 15 per cent annually, Nigeria would be consuming between 350,000 and 500,000 b/d by 1988.

Credited

The man most intimately involved in Nigeria's oil policy over the past two and a half years has been Colonel Muhammadu Buhari, formerly Commissioner in charge of the Nigerian National Petroleum Corporation (NNPC) and now its chairman. Col. Buhari is largely credited among oil men for the new sense of realism in Nigeria's oil strategy. He has expressed a willingness to sign long term pricing agreements with the oil companies and now all the major operating companies either have such agreements or are negotiating them.

These "evergreen" contracts with break clauses ensure both the stability of Nigeria's oil revenues and the profitability of the operating companies. Third market customers with whom the NNPC deals and who tended to drift away at the end of 1977 are now coming back. Although they are showing a greater reluctance to sign pricing agreements, there is every sign that the process of restoring the confidence of the oil market in Nigeria's future is well underway.

Prospects for the coming year are much the same as for the rest of this year, according to the experts. This year Nigeria is being helped by North Sea oil coming on stream more slowly than expected and by the absorption of the Alaskan output entirely by the U.S. market. The decision by Saudi Arabia to limit the amount of light crude it was putting on the market by enforcing a 2:1 ratio for the sale of heavy crude to light crude has helped all the African producers.

Nigeria's production should therefore stay at a fairly steady 1.8m to 1.9m b/d for 1979 despite the fact that North Sea output will rise to around 300,000 to 400,000 b/d. Even so, oil experts say that Nigeria's ability to maintain that share of the market will depend very much on its pricing policy. Looking even further ahead Col. Buhari has said he does not feel the next five years of Nigeria's oil future are particularly bright which is yet another reason for conserving resources and encouraging exploration.

Well-head restrictions already limit the offtake to a maximum of 2.3m b/d even though Nigeria could produce more. And the exploration incentives introduced in the second quarter of this year have done a lot to boost the level of exploration both on and off shore. Known reserves, which now stand at between 20bn and 25bn barrels, are continually boosted by new finds. Now that exploration costs can be absorbed in five years, oil companies are even looking more closely at the possibility of deep sea drilling.

Whatever happens, Nigeria wants to avoid another giant hiccough in its output of the type which it saw this year. Col. Buhari admits that the warning bells were ringing for Nigeria in the third quarter of last year when many annual contracts with third market customers came up for renewal. But the trouble stemmed from Nigeria's price increase in the second quarter of the year when Bonny Light went up from $14.31 to $14.61 making it one of the world's most expensive crudes.

Increase

Nigeria explained the move by saying that at the time of the general OPEC increase it had only put its prices up 8 per cent instead of the more general increase of 10 per cent. So it was now adding the extra 2 per cent to bring it in line. But Nigeria apparently expected the North African producers of crude Algeria and Libya to put their prices up too. When they failed to do so Nigeria found itself out on a pricing limb, yet it did not bring prices down in the third quarter.

Col. Buhari said he was watching spot sales on the volatile Rotterdam market and considered that oil companies had a sufficiently interesting margin to make them keep buying. But there had been widespread forecasts of a fall in demand for light crudes because of North Sea and Alaskan oil, the U.S. increased capacity for refining heavier crudes, world recession and energy conservation policies by the major industrial nations. The drop in demand of between 400,000 and 500,000 b/d for African light crudes was expected to be shared equally between Nigeria, Libya and Algeria. As it turned out, Nigeria carried almost the entire cut.

Because of the loss of confidence in Nigeria's ability to price its oil properly the third market customers had left. They were either small companies which could not afford to have their margins squeezed or large companies with alternative supplies. Operating companies were under contractual obligations to maintain minimum liftings but they looked for every possible way of reducing their offtake while respecting those obligations.

Between autumn 1977 and spring 1978 Nigeria lost anything up to one-third of its business. Production in January was 1.638m b/d on average, a decrease of 25.4 per cent on the previous year. By March the figure was 1.521m b/d, down 32.5 per cent on 1977. Talks began to find the right way of winning the market back and the April allowance coincided with a spot market upturn in demand for African light crudes. The danger then was that a rapid increase in output would again unsettle the prices and make Nigeria's crude uncompetitive. But the market absorbed the extra.

The crisis has proved a chastening experience for those in charge of Nigeria's pricing policy but it has not caused any loss of momentum in the development of the country's booming oil industry. Oil revenues are likely to fall around 20 per cent from last year's 6.4bn. When the fall in the value of the dollar and inflation are added to the production fall the real value of Nigeria's oil income is likely to be down about 40 per cent. Despite that, oil-related development has been given absolute priority in the budget and unlike most other sectors there will be no cut back in spending.

To speed the process of development the Nigerian National Oil Corporation was merged with the Ministry of Petroleum Resources to form the NNPC in March 1977. Having one body has helped to prevent duplication and conserve the valuable skilled manpower which for the Nigerian oil industry is still in short supply. Eventually, it is hoped the NNPC will form separate companies to deal with specific areas such as petroleum, gas and petrochemicals.

Meanwhile the Nigerianisation of the oil companies is nearly completed. Texaco signed a formal agreement with the Government in January this year after giving much of its equity in return for oil. Negotiations are now under way with Pan Ocean, the last significant operator. The NNPC will then be responsible for marketing 55 per cent of all the crude produced by the operating companies plus what it finds itself. By agreement with the U.S. company Sedco six wells have been drilled and four finds have been made. Now that the NNPC has chartered a rig it is hoped that production will start soon.

Programme

The NNPC is also getting on with its programme for creating an oil industry infrastructure which will make it self-sufficient in refining capacity and allow it to transport crude and refined products right across the country. The Port Harcourt refinery is working near its 60,000 b/d capacity while for the moment to cope with Nigeria's domestic demand of between 120,000 b/d and 150,000 b/d, 120,000 b/d is being refined under licence by Shell at Curacao. But the Italian-built refinery at Warri should be on stream by now and will be producing at half its maximum capacity of 100,000 b/d until the end of the year. A second refinery at Kaduna in the north also capable of refining 100,000 b/d is under construction and should come on stream in 1980.

The second major scheme is the pipeline complex which is now 85 per cent completed. I will link the east, west and north with 2,800 kms of pipeline carrying crude or refined products to the major urban centres. The pipeline complex will make immense savings on the roads which clearly show the damage done by laden tankers to the north-bound carriageways of most main roads. It should also put a stop to the frequent petrol shortages all over the country which are caused largely by delivery problems.

The Italian State-owned group Montubi Montaggi Material Tobolari has built the major pipeline linking Warri with Kaduna at a cost of N66.7m. The line will initially carry refined products but once the Kaduna refinery is open it will carry crude to the north. The Italian group is also building link lines from Kaduna to carry refined products to Zaria and Kano in one direction and Jos, Bauchi, Gombe and Maiduguri in the other.

The Soviet company Tsvetmepromexport is building a pipeline to take refined products from Warri to the west and will link up with Benin, Ore and Ikorodu. From Ikorodu another pipe will run to Lagos and Ilorin at a total cost of N52.74m. Yet another pipe is being built by the U.S. group Williams International at a cost of N21.72m to link the Port Harcourt refinery with Aba, Enugu and Makurdi.

The pipeline should also cure another small headache for transportation companies. It will stop drivers selling off their petrol, driving a little further along the road and then setting fire to their lorries, claiming that the petrol burnt with the lorry.

M.W.

The blackouts continue

ELECTRICITY

"TO HELL with NEPA" was how an irate consumer of electricity in Lagos denounced the National Electric Power Authority in a recent opinion poll on prolonged blackouts and power rationing throughout Nigeria. His angry reaction typifies the general frustration of nearly 1m customers of NEPA who have nursed abortive hopes over the years that power supplies would be increased to meet growing demands.

Power demand has grown at the phenomenal rate of 300 per cent from 190MW in 1969 to 750MW last year. The reason is obvious: the oil boom has led to an explosion in the establishment of new industries and the expansion of older ones.

Many had thought that with the commissioning of the Kainji Dam in 1968 Nigeria's energy problems would be over. But, ironically, the present woes stem partly from a natural disaster at the multi-million Naira hydro-electric system. A fall in the water level at the Italian-built dam has resulted in power output being reduced to a little over 300MW compared with an intsalled capacity of 420MW.

NEPA has apparently had no choice but to load-shed since it has been unable, even with the resources of its thermal plants, to get anywhere near meeting demand. Though there has been an effort to do this equitably among domestic and industrial consumers, there is no doubt that industry, in particular, has been very seriously affected.

Sudden power shortages or black-outs have meant, for example, substantial destruction of tyres in their final stage of production at the Michelin factory in Port Harcourt. Odutola Industries at Ijebu-Ode claimed that power cuts had retarded their production capacity and put back their delivery dates.

Similar production cutbacks —some as high as 33 per cent— were also reported from the Nigerian textile mill in Ikeja and Peugeot assembly plant in Kaduna which depends solely on electricity to keep its lines operational.

Profit margins of some companies have plunged and their directors have claimed in their annual reports to shareholders that power interruptions were partly responsible. Most companies have had to incur unbudgetted capital expenses to acquire standby generators for use during blackouts.

One immediate step NEPA has taken to combat power shortages is to increase generating plant capacity by 420 MW, build new transmission and distribution networks and reinforce existing ones.

A new strategy for power generation has been adopted, with emphasis on the development of thermal plants that are quicker to assemble and will make a better utilisation of the country's vast coal and gas reserves.

Brown-Boveri of Baden, Switzerland, is building—under

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LNG plant decision still delayed

GAS

A MULTI-BILLION dollar question mark is hanging over what could prove to be the biggest boost to Nigeria's export potential since the discovery of oil in 1956. Until recently some experts were confidently predicting that by the end of the 1980s Nigeria's earnings from gas would outstrip those from oil. But doubts over the final shape of the U.S. energy package are delaying final agreement of a proposed $2bn liquefied natural gas (LNG) plant at Bonny.

The Bonny plant is planned as a joint venture between the Nigerian Government, in the shape of the Nigerian National Petroleum Corporation (NNPC), and five international oil companies operating in Nigeria. It is a project which has been considered since the 1960s but which cannot go ahead until long-term contracts are signed for at least 15 to 20 years' supply. The contracts are needed to ensure the profitability of the plant whose capital costs including offshore development and transport will come to between $5 and $7bn.

The U.S. is thought the most likely candidate to buy Nigeria's LNG because of its immense and growing energy demands. Nigeria's request is now being considered by the Carter Administration. An answer is expected before the end of this year after U.S. assurances that the procedure for dealing with such applications has been speeded up since the long delays encountered by Algeria. If the U.S. decides against importing more gas then Europe is being considered as an alternative market although it is not growing nearly as fast in its demands for LNG as the U.S.

It was the UK Gas Council which first approached Nigeria with the idea of buying LNG back in the mid-sixties. But the scheme was abandoned at an advanced stage of planning when Britain made its own gas finds in the North Sea. It was then left up to Royal Dutch/Shell's technical service organisation SIPM to pursue the idea and between 1969 and 1975 surveys and evaluations were completed followed by contacts with the Nigerian government.

Initially the plan was to have two LNG plants capable of processing 1m cu ft per day (cf/d) each and costing around $2bn each. One was to be sited at Bonny with 60 per cent government participation, 20 per cent BP Africa Gas and 20 per cent Shell International Gas. The second plant at Peterside was to be 60 per cent government with Phillips, Agip and Elf sharing the remaining 40 per cent.

The Nigerian Government decided to amalgamate the two projects in order to cut the capital costs while at the same time constructing a plant with twice the capacity of either of the original plants. The proposed new plant would be capable of processing between 1.3bn and 1.6bn cf/d while the cost of the onshore development is still around $2bn. Under the new agreement signed on May 11 this year the Bonny LNG Company which has its registered offices in Shell-BP's building in Lagos will belong 60 per cent to the government, 10 per cent each to Shell and BP while the remaining 20 per cent is divided between Elf, Agip and Phillips.

Under the present agreement the individual operating companies would prospect for gas and sell it to the Government-owned Nigerian Gas Transmission Company at the wellhead. The Government has said it would like to offer a 10 per cent stake in the pipeline to an international pipeline company in return for its expertise in setting up the pipeline and keeping it maintained. All the gas would then pass to the jointly owned Bonny LNG Company which would be responsible for processing and marketing the LNG. In addition, Nigeria would get 50 per cent of the shipping rights for transporting the gas.

Based on known gas reserves there is more than enough gas to supply the project for at least 20 years, even given a possible maximum consumption of 2bn cf/d. Supply would come both from associated and unassociated fields. The unassociated gas already discovered has almost all been left in the ground because of the limited scope for using it at present. The gas-to-oil ratio for the associated fields is in the order of 1,000 cf per barrel of oil.

Quite apart from the fundamental question of where the LNG might finally be sold, a number of other matters have yet to be decided. The final shape of the plant and what other products it might manufacture is still being studied. Many more months of feasibility studies are needed to decide the final plan. But given a favourable decision by the U.S. administration forecasts on when the plant might come on stream vary from the end of 1982 to more realistic forecasts of 1983 or even 1984. Nigeria has also yet to decide whether it will buy or charter the extremely costly ships it will need to carry its 50 per cent of the traffic from Bonny.

World LNG production is expected to rise considerably between now and 1980. The total 1977 production of approximately 570bn cf is expected to have reached about 1,100 bn cf per annum by 1980. At present Brunei, Algeria and Libya produce almost all the world's LNG; the major consumer is Japan with Europe absorbing most of the rest. But by 1980 Indonesia and Algeria will both have considerably increased their output. Japan is expected to double the amount of LNG it uses and the U.S. should become a major consumer for the first time of imported gas. A smaller increase is foreseen for Europe.

But whatever the outcome of negotiations on LNG for export there is a guaranteed home market for a considerable amount of Nigeria's gas. For the time being the Government seems reluctant to commit too much of its supplies of natural gas to home consumption because it doesn't want to see the LNG plant starved of supplies. But demand at home is growing rapidly and the domestic consumption could increase faster with better management.

Flared

Only 5 per cent of associated gas is currently being used in Nigeria which means that when production of oil is around 2m b/d there is 2bn cf/d of gas being flared. Even without the LNG plant the NNPC's aim is to use 95 per cent of the associated gas now being flared for industry, including supplies to power stations, by 1980 to 1982.

Early attempts at putting the gas to use either direct to industry or to supply power to the electricity generating authority have proved fairly successful. In 1977 Shell-BP alone produced 433bn cf of natural gas which is an average daily rate of 1.18bn cf. Of that 96 per cent was associated gas and much of it was flared. But 76.3m cf/d was used with 82 per cent going to industrial customers, of which the Nigerian Electric Power Authority was by far the biggest consumer.

Power stations at present using natural gas include one at Afam which has a gas turbine generator. The Afam power station will be stepping up its power production from 150 MW to 250 MW and will therefore increase its natural gas requirement from 43m cf/d to 74m cf/d. A similar plant at Ughelli will increase its generating capacity from 200 MW to 300 MW and will, therefore increase its demand for gas from 34m cf/d to 90m cf/d.

A much bigger customer will be the Sapele power station which should have started production this month. When it is fully completed it will generate some 720 MW from gas-fired steam turbines. In order to produce the steam the power station will require 184m cf/d to fire its six boilers. Thinking ahead, the biggest power station proposed for the future is for Lagos itself. The intention is to pipe gas to the capital both for the power station which would need 300m to 500m cf/d and to industrial consumers directly. Two cement factories on the outskirts of the city are being considered as customers and the power station itself should come on stream between 1983 and 1985.

Some industries are already being supplied with natural gas directly. The Delta glass factory which is owned by Bendel State government produces plate glass at Ughelli and will have its first gas fired furnace running by the end of this year. Initial demand will only be 2.2m cf/d but there is the possibility of expanding the use of natural gas to the newly established bottle making factory nearby.

For the time being there are no plans being considered for supplying natural gas to domestic consumers by pipeline to their homes. But there is already a bigger demand for bottled LPG than the home manufacturers can cope with and bottled gas has to be imported. The butane and propane which will be a by-product of the LNG plant would be bottled for the home market but before that large quantities of LPG will be produced for domestic consumption by the two refineries at Warri and Kaduna.

The Port Harcourt oil refinery already produces about 60 tonnes of bottled gas a year and the Warri refinery now coming on stream is capable of producing 700 tonnes of bottled gas once it is running at maximum capacity. The Kaduna refinery which will come on stream in 1980 or 1981 will produce about the same amount.

M.W.

Blackouts

CONTINUED FROM PREVIOUS PAGE

a N18m turnkey contract—four gas turbine generating sets at the Afam power station near Port Harcourt. The first set, with a capacity of 25 MW, has been commissioned, raising the station's generating capacity to 175 MW. The three other sets with a combined capacity of 75 MW will be commissioned later in the year.

Six units of 20 MW each are nearing completion at Ughell in the delta and the first unit of 120 MW of the new Ogorode (near Sapele) thermal station is awaiting commission. The 720 MW Sapele project is the biggest among the current emergency installations.

The new emphasis on thermal plants does not mean that hydro-electric plans are being abandoned or neglected. In fact new contracts have been awarded for two new hydro schemes, with a combined capacity of 1,145 MW.

The first went to joint-venture Torno, of Italy, for the construtlon of the N200m Shiroro Dam on the River Kaduna, some 168 km upstream from its confluence with the Niger. It will produce 600 MW when completed around 1982. The other hydro-electric power station is planned for Jebba, with a maximum capacity of 545 MW. The Kainji Dam itself will be expanded to generate 800 MW, almost double its present capacity.

By the time NEPA's short and long-term measures mature, there should be enough power to meet the estimated national demand of about 800 MW and there may be perhaps even some surplus energy by the late 1980s.

Meanwhile NEPA has rejected public accusations of bad planning and lack of foresight for present shortcomings. It has claimed that, apart from a shortage of executive capacity and the unplanned massive electricity supplies, expansion plans haxe been set back since nearly all equipment used for generation and distribution are imported.

This total independence on foreign suppliers, NEPA claims, delays prompt execution of capital projects. Plant maintenance is also hampered by lack of essential imported spares.

Although the Nigerian public appears to be less than appreciative of NEPA's technical difficulties, the organisation does not underestimate its problems. It recognises that public demands for uninterrupted power supplies at the present time cannot be met. "The country is demanding what it cannot get." NEPA's general manager, Alhaji Yahaya Dikko, said in a recent newspaper interview published in Lagos. He had been asked why NEPA did not fulfil its latest pledge to restore normal electricity supplies last month.

Mr. Dikko added: "It is virtually impossible for NEPA to meet the demands of consumers who want uninterrupted power power supplies as exist in advanced countries like the U.S., Britain and the Soviet Union because we have not got the technology."

By a Correspondent

Danger in the incomes gap

CONTINUED FROM PAGE XXIX

There can be no doubt that indigenisation, whereby expatriate companies have to transfer a substantial proportion of their shares to Nigerian investors, is a logical and understandable step for a country which is concerned about "economic imperialism" and wants to see the returns from Nigerian labour remain in Nigerian hands.

To achieve a wider distribution of shareholding than before, the Mohammed/Obasanjo Government has placed limits on the size of individual shareholdings and has demanded that a certain percentage of the equity go to a company's workers. This also means that while the Nigerian shareholding is widely spread, that of the foreign company remains consolidated, effectively leaving executive authority in the hands of the White managers who still run most companies on a day-to-day basis.

Indigenisation, and the majority stake taken by the Government in the foreign oil companies, are important developments and from the Nigerian point of view necessary ones.

However, there must be some doubts about the timing of the latest indigenisation exercise, which comes just five years after Nigeria's first move in this direction.

Under the 1972 indigenisation decree foreign companies in certain sectors had to divest themselves of a significant proportion of their equity, although in important sectors the expatriate concern still held the majority of shares. At that time neither Government nor the companies envisaged a further change after this decree had been implemented, at least in the foreseeable future.

That, however, was all changed by the fall of the Gowon regime in 1975. Amid complaints that some companies had tried to circumvent the spirit of the 1972 decree, and wanting to make a political point the new Government appointed a panel to review progress. The result was a second round of indigenisation, announced in 1977, whereby foreign companies lost their majority shareholding in many sectors, while in others they had to increase local participation to 40 per cent.

Anxious

Although the Nigerian Government is anxious to stress that this is not creeping nationalisation, the second decree, coming so closely after the first, has created a climate of uncertainty among prospective new foreign investors.

Indigenisation provides an example of Nigeria's understandable, though highly problematic, efforts to go as fast as possible on all economic fronts and the political imperatives which constantly impinge on this, making the selection of priorities infinitely more difficult.

Another example is the field of education. In 1974 General Gowon announced that universal primary education would be introduced within two years. Although politically popular, this was a rash move, given the manpower and building problems entailed in the setting of such a tight timetable.

Universal primary education (UPE), together with the Government's expansion of secondary and higher educational facilities, is of course a praiseworthy goal. Given Nigerians' immense thirst for self-betterment, there were strong pressures on the Government to give the go-ahead. But again, timing is the problem.

The Government's progress with UPE was described in the first part of this survey. Some details are worth repeating, because they point up three particularly serious difficulties in any Nigerian planning, financial constraints apart.

One is the inadequacy of the Government's statistical service. The administration assumed that 2.3m children would enrol for UPE. In fact 3m did. Again political factors impinge. Because of regional and ethnic rivalries it has proved impossible to hold an undisputed census. No one therefore knows just how many Nigerians there are. Estimates range between 80m and 100m. It is extremely difficult, if not impossible, to draw up any realistic development plans when there may be a 25 per cent margin of error in assumptions about population.

However, even with political constraints, there is immense room for improvement in Nigeria's statistical service. One example will suffice. It has been estimated that available statistics do not cover even a tenth of the data necessary for any realistic appraisal of the agricultural sector — and development of this sector is one of Nigeria's most crucial long-term problems.

Nigeria's statistical service may be no worse than many another Africa country's, but the Nigerian economy is far more complex than most.

Statistical problems are no doubt the outcome in significant measure of manpower problems, which is a second difficulty pointed up by the UPE programme. There is an acute shortage of qualified teachers and of teacher trainers.

Manpower constraints are felt throughout the economy, including the civil service, where a small group of highly qualified personnel is spread very thinly, with only limited middle-level back-up. Moreover, the sacking by the Government of over 10,000 civil servants in 1975 has cut into the ranks of those most able officials and has had a seriously demoralising effect on the remainder. Civil servants appear reluctant to place their necks on the block by taking difficult decisions. Yet without firm guidance it is not easy for military men with no training in economics to come to the best solution.

A third lesson from UPE is the difficulty of setting sectoral priorities amid immense political pressures. Education may be a valuable investment in manpower resources for the future but, like the maintenance of a large army, it is not directly productive. Between them education and the armed services account for 31 per cent of this year's recurrent federal budget and 18 per cent of the capital budget.

Moreover, UPE inevitably raises expectations of gaining a place at secondary school, and of progressing to a good job. Neither is easy to achieve, and the dashing of expectations is likely to fuel discontent. In education, as in so many other spheres of Nigerian life, the Government is faced with some cruel dilemmas, a trade-off between political, economic and social forces for which there is no easy solution.

But perhaps the greatest problem area is agriculture and rural development. Although the Government has done much to try to raise the quality of rural life, through the gradual provision of water, medical facilities, and roads, a sustained improvement can only come through the boosting of direct production, through higher agricultural output.

The overriding importance of this sector in ensuring balanced growth and more equitable social return can be gauged from the fact that some 75 per cent of the Nigerian population lives in rural areas, while farming accounts for about 65 per cent of those gainfully employed in the country.

Nigeria has enormous agricultural potential, yet for most crops it has been going through a prolonged period of stagnation or decline.

The reasons are extremely complex and include urban drift, accelerated by the oil boom, which has produced an ageing farm population; disease and drought; inadequate producer prices; competition during the boom for labour from other sectors, notably construction; inadequate extension services; and the small and scattered nature of holdings, coupled with the traditional land tenure system.

Again, the Government is aware of the problem and is, albeit belatedly, now doing much to encourage increased production. New incentives have been offered for both large and small-scale farming. One of the most important developments has been the reformulation of the commodity marketing boards.

Until changes over the last three years these were organised on a regional or States basis. The boards originally had the power to set producer prices and they set them deliberately low, allowing profits to accrue to the States which were then used for industrial investment. Under this arrangement the poor peasant farmer was effectively paying for the development of the modern sector.

This has now all changed. The Federal Government has itself assumed the power to set base producer prices, the boards have been rearranged on a commodity rather than a State basis and, of additional importance, these new boards no longer have a monopoly over commodity purchases in the domestic market.

Provided the Government sets reasonable base prices this could lead to a rise in the production of export crops, which has been declining, and to some extent of domestic food crops, which has been stagnating. With a rapidly rising population, Nigeria has had to import more and more food.

However, there are strong forces working against this. On the export side the Nigerian currency is overvalued for most crops. But the Government seems unlikely to bring in a major devaluation, partly because of the country's high import dependency and partly because oil exports, which account for over 90 per cent of foreign exchange, will not be boosted by this; nor will the country's dollar earnings from oil.

Furthermore, the problems of agriculture are so deep-rooted that there must be doubts about the effectiveness of re-organisation at the top. There is no easy solution to the problem of a drift from the land.

For a sustained improvement in productivity farmers have to be educated, and that requires, at the most basic level, efficient extension service. This Nigeria does not have. Again, officials argue that manpower is a major constraint. But given sufficient manpower, much more Government money could be attracted to agriculture.

On the positive side one factor which could help agriculture in the long term is an important Government decree earlier this year which effectively nationalises all land, in the southern parts of the country. In theory this is meant to provide an equitable solution to the problem of speculation in urban land and to allow more efficient use of rural land. But it is not certain the decree will stand.

Whether or not they do improve productivity, the land tenure decree and the reorganisation of the commodity boards do provide examples of the Government's attempts to redress the social balance and remove some of the grosser examples of inequity.

It is impossible to state with any certainty what effects the oil boom has had on income distribution. The gap between the very rich and very poor appears to have widened, but have most Nigerians witnessed an improvement in their standard of living?

Swung

What little research has been done suggests that inflation may have swung the rural/urban terms of trade against the farmers. The income of many small farmers may have declined not only relative to that of wage earners but may also have fallen in absolute terms.

This suggests that the majority of Nigerians may not have yet benefited from the oil boom. Perhaps it is unreasonable to expect that they would have so rapidly.

Whatever the truth, and no one can be certain of it, there undoubtedly remains a gulf between rural and urban incomes (offset to some extent by the higher costs of living in cities) and between the poor living conditions endured by most city dwellers when set against those of the elite.

It has been estimated, for example, that 73 per cent of all households in Lagos occupy one room and that in Ibadan, the second largest city, only 30 per cent of the population are served with water connection in the house.

The task facing a new civilian government, politically, socially and economically, is immense. The very advent of such an administration may well raise popular expectations, expectations which the Government cannot hope to fulfil. The compromise nature of such an administration, and its links with vested interest groups, could also militate against decisive action.

Yet it must work to restore economic balance and to mitigate social disequilibriums. As General Obasanjo said in his budget speech last March, when announcing new tax measures, society must be placed on the path of "fairness, justice, humaneness and service."

And he warned: "This is absolutely necessary if we as a nation must avoid the political and social instability which will ensue if nothing is done at this stage to arrest the social polarisation which is occurring even now as a result of the existence side by side in our society of the extremes of affluence and abject poverty."

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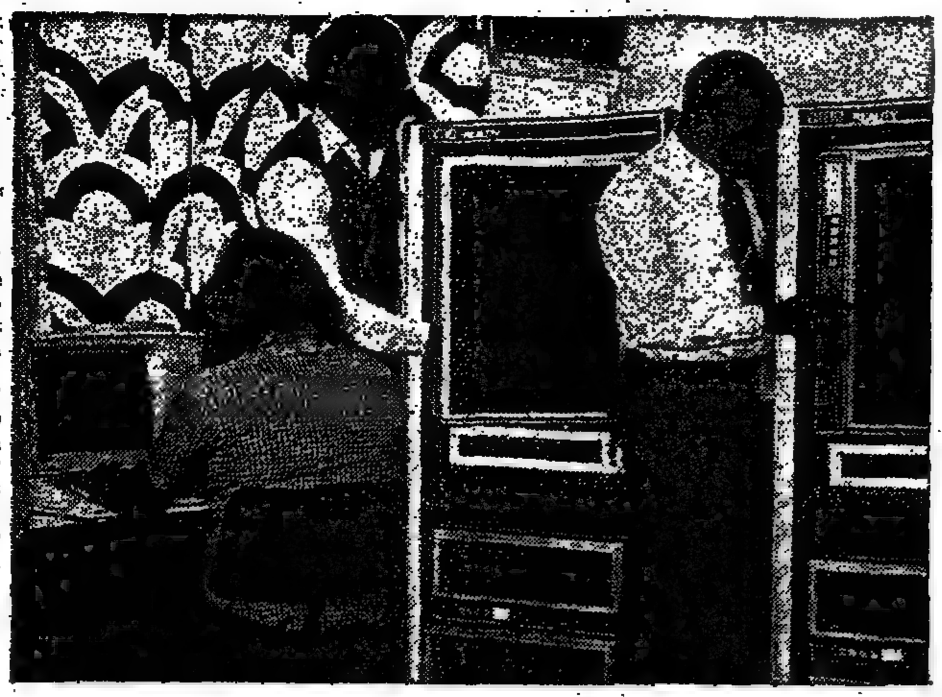


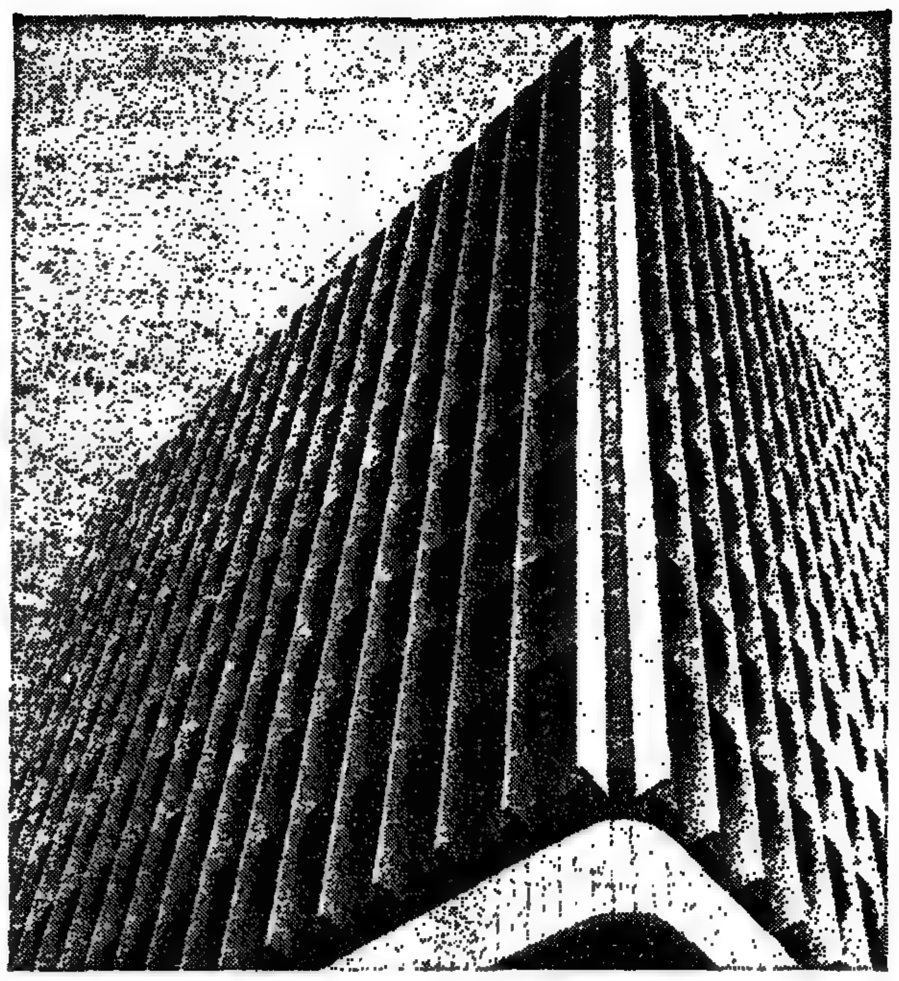

THE LAND

Unanswered questions

Nigeria has enormous agricultural potential which is not being fulfilled. There has been a prolonged stagnation in the production of many crops and a marked decline in other areas. The country's food imports bill has risen dramatically. The Government is anxious to remedy the position, through both public sector projects and the encouragement of private investment. Recently, it announced sweeping changes in the land tenure system but the likely effects of this remain unclear.

ON MARCH 29 the Nigerian Federal Military Government issued a decree which has since been touted as an equitable solution to the increasing problems of obtaining access to land, especially urban land.

There has been abundant evidence in recent years that land tenure has become a serious problem. Both businesses and individuals have had trouble acquiring land because rapidly rising values have encouraged customary owners and speculators to retain their holdings. Plots on the outskirts of Lagos which were available for about N400, 10 to 15 years ago increased to over N4,000 before land-owning families found they could get much more through leasehold arrangements and stopped selling. Land within a few miles of Enugu was selling for as much as N6,000 per acre in the early 1970s. Within cities, prospective owners have sometimes had to buy their plot two or three times, as the lack of registration made it difficult to know whether the money was being paid to the real owner, and extended family members could claim that they had never been consulted about the sale.

In the rural areas, families spent all their savings on lengthy litigation over land. The communal ownership of land has broken down in many areas, being replaced by individual ownership of purchased land. The commercial success of some families (including those who have invested urban-derived capital in rural land) has led to considerable rural inequality. In the past, the large, polygynous families of the rich and the small families of the poor tended to equalise inheritance, but the greater access of the children of large farmers to education means that disadvantage, and land hunger, are now more likely to be passed on. Tenant farmers, moving from overcrowded areas, work at very unfavourable terms for absentee landlords but have no chance of acquiring the land they farm because they are "strangers."

Thus, it is generally agreed that the Government must do something about land. Given the strong feelings of Nigerians about land, it is more likely to be done by a military than by a civilian Government.

Occupancy

The Decree effectively nationalises all land. From now on, the military governor of each state will award certificates of occupancy to those who have customary rights (usually over agricultural land) or statutory rights to a particular plot. He will set rent which must be paid for the plot, and may impose penal rent if regulations are not adhered to. He, or the local government, may take over land for public purposes, which includes the use of any business in which the Government owns shares or any land required for mining or for urban, industrial or agricultural development. (This could ease the acquisition of rights of way for urban roads.) The occupant who loses land in this way must accept the compensation offered, since he is not allowed to sue in court and must take any dispute to the Land Use and Allocation Committee, which will probably include the Chief Lands Officer, who set the compensation in the first place. If he is resettled elsewhere in lieu of compensation, he must repay the Government for any excess value of the new property.

Occupancy is to be limited to one-half hectare of undeveloped urban land, 500 hectares of land for agricultural purposes or 5,000 hectares of land for grazing purposes. No limit is set for developed urban land, so large numbers of urban speculators are frantically building on the plots they hold. Nothing is said about simultaneous occupancy certificates for urban and rural land or for land in more than one state, and there is no mention of land being used for manufacturing, so it is not clear whether a businessman may build a factory and a house on separate plots. The statutory right to a plot must be proven in order to gain a certificate, which will certainly cause considerable difficulty to large numbers of Nigerians whose land is unregistered and who have no legal documents to prove their ownership. The vague descriptions of plots being published in the daily newspapers (land behind X petrol station) demonstrate the confusion about precise boundaries which the Decree seeks to end.

Once a certificate has been granted, the holder must get permission from the Military Governor to subdivide it, lay out plots, transfer it to another person or sublet it. No one may erect a building, wall, fence or anything else on land for which he does not hold an occupancy certificate, on penalty of a N5000 fine or a year in prison. (This may cause difficulty if certificates take months or even years to obtain, as squatters have less to lose than a businessman.) Statutory rights of occupancy must be inherited by one person; no will can share the right between several children, as has been usual in the past. It appears that customary law can be applied to customary occupancy, but the decreasing importance of this form will eventually make joint inheritance of houses and farm land a thing of the past. This rationalizes ownership, but at the cost of family solidarity.

So much for the regulations. The implications for foreign and local businesses will depend on how these rules are applied, because very little is said about certain vital sectors: tenancy of either houses or land (a large majority of urban residents are tenants), the ability of aliens to acquire land, the use of urban land for industrial purposes (where one half hectare might be far too small) and, most important, the procedure by which new land will be allocated.

Important

The last is particularly important for new businesses. The Government will now be able, if it chooses, to require that they be established in development areas rather than in Lagos, or to require that they use an industrial estate by denying them land elsewhere in town. Small businesses have often used ordinary houses, paying more rent than a family could afford. If owners are to be limited to a single plot, they will not want to rent to a business, though many will want to rent flats to senior staff (at appropriately high rents). Since the Government can provide very little low income housing, and landlords will want to get as much as possible out of their plot, there will probably be a decline in inexpensive housing, leading to union demands that large scale employers supply subsidized housing for their workers.

Housing problems will also be exacerbated if industry is forced to move to new areas, as these will not be equipped to handled a large influx of migrants. The Government clearly hopes that forcing occupants to develop their plots (they may be taken away if left undeveloped) will increase the supply of housing, but so far attempts at rent control have not been enforceable, and developers will probably concentrate on the lucrative top of the housing market.

The balance between the demand for local rights and the need to develop the economy will pose very difficult political problems in carrying out the Decree. Businesses may now get access to land and resources which communities have denied them if they can convince the Government that it would be in the public interest (or in the certificating officer's interest). The Decree does not allow for customary rights over "stone, gravel, clay, sand or other similar substance," so unless the present owners of these resources can establish statutory rights the Military Governor can grant a licence to anyone he chooses. For example, a village in the south east noted for its gravel deposits has been fending off big business for some years. The local Gravel Producers Association has lobbied members intensively not to sell or rent out land to outsiders. Their objection—that larger companies would lower prices and raise the wages of labourers through mechanisation and thus put them out of business—is more convincing in the village than it might be to a military governor concerned with overall development. An elected official will face many dilemmas of this sort.

Related

Access to land for commercial agriculture is a related problem. An early newspaper comment on the Decree pointed out that a large majority of northern farmers would be made landless if the 5,000 hectares allowable were given to a relatively small number of large-scale cattle-rearing firms. Urban professionals have increasingly invested in commercial agriculture in their home areas in recent years. Whereas former land tenure laws often made it difficult for them to acquire substantial farms, their Government contacts and ability to cope with the bureaucracy will now give them a considerable advantage over small farmers. The main protection of the latter is their record of rebellion when the urban bureaucracy becomes too oppressive. As farming on a larger scale could be more productive than the present system, the problem for Nigeria's rulers is whether to foster an improvement in the economy at the expense of the citizens.

The limitation on urban landholding may increase the supply of private capital available to industry. Nigerian businessmen have probably invested less in housing than outsiders think, but the rapidly rising land prices and high rents for quality housing (the cost can be repaid in advance rents before the building is even completed) have been a considerable temptation. Women traders, academics and other people with spare cash have often invested in housing. If the Decree effectively cuts off this channel of investment, there should be a considerable increase in funds available for stocks or other business ventures. Thus, companies which look promising should find it easier to get capital for development or expansion. On the other hand, traditional leaders who have tended to invest their income from land allocation in rural businesses have had an important source of capital accumulation cut off.

Perhaps the most important effect of the Decree, for a few months at least, is the uncertainty it has engendered. It leaves too many questions unanswered, and people are not sure when enforcement will begin, how much it will be affected by bureaucratic delay and corruption and whether it will be dropped when a civilian government comes to power in 1979. Seminars have been held as to the meaning of various provisions (confirming that even the Government is not clear precisely what it intends to do), and announcements have been made in various states to calm people's fears.

Anxiety

Since most Nigerians either own land or hope to own some in future, it will take more than a few bland statements to quieten the anxiety the Decree has provoked, especially on the part of southerners, who see it as an attempt to apply northern land tenure laws in their area, and farmers, who fear that the rich intend to take over their land. Cynics are sure that the allocation of occupancy certificates will be fraught with bureaucratic delay for those who cannot "bribe their way through" and that many people who aspire to a small house in town will have to squat because they cannot get a plot legally. Others feel that there is not time for the military Government to demonstrate that the Decree can work for the benefit of the majority and that a civilian government will find any action on land so unpopular with various sectors of the electorate that it will have to abrogate the Decree. Whatever happens, Nigerian land problems need solving, the Decree has encouraged people to think about solutions, and other African nations with similar problems will be watching to see how this attempt works.

M.P.

Rising demand, falling output

AGRICULTURE

IT HAS been said of Nigeria that if you planted a broom handle it would eventually sprout leaves because the soil is so fertile. Before oil was produced in significant quantities, agricultural production accounted for the bulk of exports. But despite its enormous potential, the agricultural sector of the Nigerian economy is going through a prolonged period of stagnation and in some areas there has been a marked decline.

At the same time as production slumped, demand for food continued to rise. The central bank index of food crop production shows that between 1960 and 1975 food production rose by an annual average of 1.8 per cent. During the same period demand rose so much faster that the level of food imports went up by 7.4 per cent a year. In 1976 the cost of all imported food items was N441m, and at the end of the third quarter of 1977 the figure had already reached N528m, according to figures from the Federal Office of Statistics. Of all cash crops, only cotton has shown any appreciable rise in production, and that was from a relatively small base.

To take one of the most obvious examples of agricultural decline, groundnut production in 1972 was estimated at 1.12m tonnes. Estimates for 1976 put it somewhere near 2,000 tonnes. The reasons for the decline are many and complex, but it has become common even among those in agriculture, to paint a gloomy picture of the future because of the problems and mistakes of the past. In fact, many experts believe that with a better understanding of those problems and a greater share of the revenues from oil with which to cure them, Nigeria could experience an agricultural renaissance.

The federal Government, well aware that oil is a finite resource, is anxious to encourage greater agricultural production and has chosen three levels on which to try and achieve it. The first is by engaging directly in large-scale farming projects itself, often with the help of outside interests (specific projects are discussed fully in the article on new projects). Second, it has tried to heighten people's awareness of the importance of agriculture through campaigns like "Operation feed the nation" and "Grow more food." Finally, it has tried to encourage private enterprise to move into agriculture by making farming more profitable and by obliging the commercial banks to lend to farmers.

The 1978-79 budget included a package of fiscal incentives for large-scale farming which included: the transfer of integrated agricultural production and processing from schedule II to schedule III of the Nigerian Enterprises Promotion Decree—meaning that foreign participation could increase from 40 per cent to 60 per cent; an additional investment allowance of 10 per cent on top of existing allowances for all capital expenditure on agricultural plant and equipment; provision for writing off losses in agricultural enterprises over an indefinite period against profits; and interest on loans to agriculture to be tax free.

The new measures come on top of existing incentives to agricultural production introduced over the previous two years, which include: a five year tax holiday for investment in combined agricultural production and processing; the abolition of import duties on tractors and other agricultural machinery; the removal of import duties on raw materials for making livestock feed; subsidised veterinary services; and subsidised fertiliser.

There has also been a gradual increase in the proportion of the federal budget allotted to agriculture (including water resources, livestock, forestry and fisheries). The 1978-79 federal budget confirms the trend by allocating 7.15 per cent of the total capital estimates to agriculture, against 5.16 per cent in the previous year. However, overall budgetary cuts have meant that in money terms the allocation has fallen from N396m to N372m.

The federal Government explains that the level of expenditure is not higher because agriculture should be essentially a matter for the 19 states. Although there is no formal division of responsibilities, the federal Government has traditionally been the policymaker and adviser while the states have done the implementation. The roles have become confused because of the federal Government's decision to start its own projects. But it is generally thought that the federal Ministry of Agriculture would like to keep down the level of direct involvement and stick to its advisory role.

Direct

The reason it started direct involvement in the first place is that it was felt the states were not doing enough on their own account. Looking at the budgets of individual states it is clear that nowhere is agriculture very high on the list of priorities. In the predominantly agricultural north, Borno State has allocated 2.5 per cent of its total estimated spending to agriculture for 1978-79, while in Bauchi it is 5.5 per cent. In the east, Cross River State's 1978-79 spending on agriculture is set at 5.7 per cent and Niger State in the middle belt has allocated 6.7 par cent. The states say that they can only do so much. Once they have provided the seed and the fertiliser it is up to the farmer to do what he can with them.

Agriculture is still the biggest area of employment in Nigeria, though the numbers are declining. FAO statistics for 1965 put the number of the economically active population engaged in agriculture at 80 per cent. Federal Ministry of Agriculture data for 1975 estimate that 64 per cent of a 28m workforce was employed in agriculture, and the projection was that by 1980, 61.22 per cent of a 32m workforce would be engaged in agriculture.

One of the factors which is bound to make agriculture attractive in the future is the enormous amount of cultivable land which has yet to be put to use. The third national development plan for 1975-80 estimated that only one third of Nigeria's 98.3m hectares was under cultivation and said that twice as much could be cultivated, bringing the total to 71.2m hectares. In order to do that the plan foresaw expenditure on agriculture as 6.79 per cent of the total budget spending.

Throughout the country, the problems facing farmers can be broadly divided into two sorts: fundamental problems arising from historical development and immediate problems caused by rapid social and economic upheaval, disease, drought and war. But before embarking on a detailed analysis of those problems it is worth quoting from a recent central bank report on food trends, which says about available agricultural statistics that they: "Do not even cover one tenth of the data that are essential for any realistic appraisal of performance in thte agricultural sector." That said, the trends are nonetheless clear.

The influx of oil money is responsible for many, but by no means all of the problems facing agriculture. The more profitable jobs in towns and cities did attract large numbers of people, many of them young, away from the land. Those who stayed refused to work for no money, even for their fathers. The increasing scarcity of labour forced wages up and the Udoji pay awad in 1975 underlined the trend and sent wages spiralling. Farmers answered the double challenge of increased labour and costs and inflation by moving out of cash crops and into food crops to feed themselves and a growing market for food.

Rising production costs made imports far more competitive. Rice, for instance, being produced in the north and in parts of the east, was far more expensive than the imported variety. So much so that while in 1976 45m kilos were imported, in the first nine months of 1977 alone, 248m kilos were brought into the country. Nigerians who used to eat rice once a week on Sundays now eat it two or three times a week, which in turn is having an effect on the traditionally produced staples, yam and cassava.

During the period of escalating labour costs farmers were given no incentive to reinvest. In the case of oil palm and cocoa, the stock got older and productivity declined. In some cases oil palms were dug up because of competing food needs, and demand from industry grew fast with the setting up of factories to produce soap and margarine. From being one of the world's biggest exporters of palm oil, Nigeria is now a net importer. The 1976 figure for the import of vegetable oil including palm oil was 1,002 tonnes. In the first nine months of 1977 the total was 133,866 tonnes.

Cocoa production has suffered from the ageing trees, as well as from the absence of seasonal labour. Cocoa is almost entirely a smallholder crop, and poor cultivation and lack of proper pest control have resulted in lower yields. A Government survey some years ago showed that in the western states, the main growing areas, 75 per cent of an estimated 1.2m acres under cocoa was covered with trees more than 30 years old. Tonnage exports have declined, although because of high cocoa prices, earnings have not.

But agriculture also faced problems nothing to do with the oil boom. The Civil War left acres of oil palm and rubber badly neglected, especially in the east. The traditional reliance on wild oil palms had meant that the land had quickly reverted to secondary bush once it was not properly cultivated. Then just as the country was recovering, the Sahelian drought struck in the north, making large areas into desert and killing off an estimated 10 per cent of the Fulani cattle.

At the same time a phenomenon known as "gotification" came to be recognised as a problem. In areas around Maiduguri and Katsina large areas have been laid waste by goats overgrazing. The trees are clipped neatly to the height a goat can reach and only scrub can survive. Shortly after the drought, the north was hit by rosette blight, which affected groundnuts. There is still a shortfall in groundnut production—the government imported 14,000 tonnes of nuts and oil in 1976.

But experts point to a problem which is common to most crops—the lack of an effective pricing mechanism. The system of setting minimum buying prices by the commodity boards which look after the major cash crops is believed to be too slow in adjusting to changing conditions. Prices are set on the basis of the world market and take no account of what is happening on the domestic market. Until the farmer can get a price for his produce which makes it worthwhile, experts say there will never be any real incentive to produce more.

A good example of the lack of flexibility in the pricing policies of the commodity boards is groundnuts. After drought and then blight had hit groundnut production there was an urgent need to encourage farmers to move back into farming them. Yet the commodity board pinned prices at N250 a tonne from mid-1974 to mid-1976, then raised the price to N275 a tonne. As a result the board last year brought around 50 tonnes of groundnuts, compared with 559,000 tonnes in 1972-73. Groundnut production is increasing in the north, it appears, not because the commodity board may raise its prices to N325 a tonne this year but because groundnuts are fetching N400-N500 a tonne in the local markets.

Symptomatic

The lack of flexibility, experts believe, is symptomatic of another problem facing agriculture — the shortage of trained manpower in the ministries. Since the creation of ministries of agriculture in the states and the setting up of government companies like National Grains and National Root Crops, the already short supply of trained staff has been stretched even thinner. It is generally thought that until the average standard can be improved it will be difficult to tackle the immediate problems, let alone face the fundamental historical problems of agriculture.

Of the fundamental problems, probably the most intractable over much of the country is the question of land tenure. As far back as the first national development plan the problem was recognised but left alone as too difficult to deal with. The difficulty is that nearly the whole of Nigeria's cultivated land is in smallholdings of between two and five acres, which are, on the whole, badly farmed and which cannot be mechanised to improve productivity.

An attempt at reform has been made in the Land Use Decree published this year, but it is yet to be seen whether or not its proposals are too controversial to be accepted. It brings all land into Government

CONTINUED ON PAGE XXXVI

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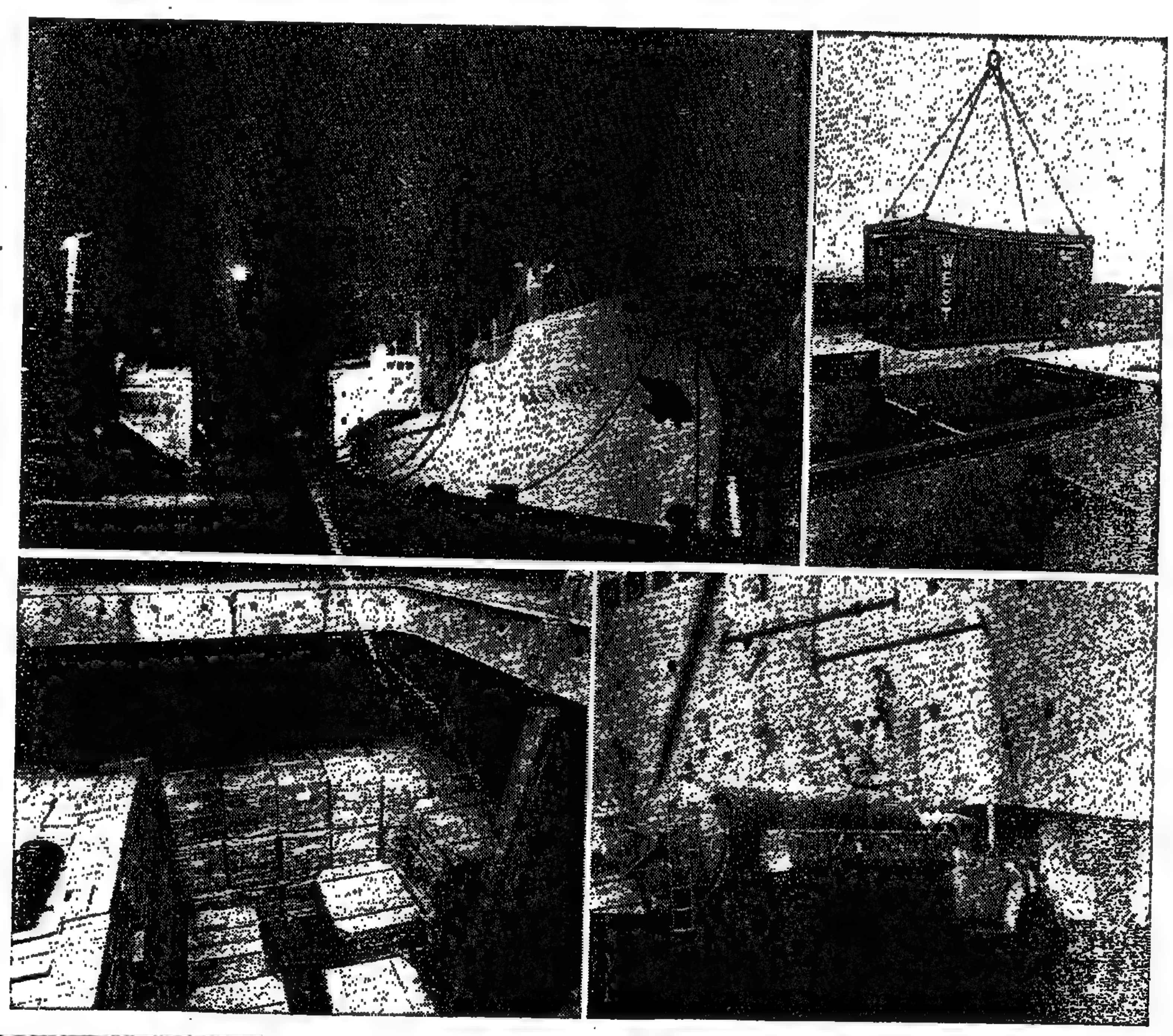

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Schemes large and small

AGRICULTURAL PROJECTS

NEW AGRICULTURAL projects being pursued by the Nigerian Government at federal and state level fall broadly into two categories: campaigns to increase awareness of the importance of agriculture; and large-scale farming and irrigation projects often undertaken with the assistance of outside agencies. With so much of Nigeria's potentially cultivable land unused, large-scale farming is thought to have a good future, especially in the middle belt. At the same time projects are underway to persuade the small farmer to improve his farming techniques and to supply him with the right inputs of improved seed, fertiliser and pesticides.

The first scheme to raise people's awarness of the importance of agriculture was launched in 1973. The National Accelerated Food Production Programme (NAFPP) was aimed directly at the farmer and it is hoped that eventually 1m farmers will benefit from the information and inputs provided through NAFPP. Then in 1976 a similar programme but with a wider application was launched called Operation Feed the Nation (OFN). It was hoped that OFN would stimulate immediate increases in food production.

Through OFN a Fertiliser Board has been established which bulk buys and distributes the 75 per cent government-subsidised fertiliser. OFN has also been responsible for the founding of 187 agro-service centres around the country and has established a system of minimum prices for food crops which has proved difficult to enforce. At the same time schools, colleges and other institutions have been encouraged to grow their own food. Though OFN is not credited with much success in actually boosting food production it is thought to have greatly *increased interest in agriculture.*

Experts and officials agree that the only way to increase agricultural production is either by large-scale farming projects or with intensive schemes to improve farming techniques among small farmers. The Government has shown an increasing willingness to see private enterpirse move into large-scale farming and has moved integrated agricultural production and processing from Schedule III to Schedule II of the Nigerian Enterprises Promotion Decree, thus allowing for 60 per cent foreign ownership. It has also introduced other incentives which are detailed in the general article on agricalture.

Clearing

The Ministry of Agriculture through its National Grains Company is clearing eight large *areas of land, most of them in* the middel belt, with the aim of attracting private enterprise to co-operate in farming. Each of the farms will be at least 4,000 hectares and the first, near Mokwa, already has 1,000 hectares of land planted. The Government is now looking for partners prepared to take a stake in the new farms and the Ministry insists that it would not interfere with the running of the farms. Other giant land clearing operations are being undertaken by the ministry, whcih plans to clear a minimum of 3.000 hectares in each of the States.

One of the biggest large-scale integrated farming and processing enterprises so far undertaken is being developed jointly by the federal Government, the States of Bauchi Borno and Gongola, and the Commonwealth Development Corporation (CDC). The Savannah Sugar Company near Numan in Gongola State is developing a major irrigated *sugar plantation with* a factory and refinery capable of producing 100,000 tonnes of refined sugar a year. Already 1,000 of an eventual 12,000 hectares of sugar cane have been planted and the factory should be ready by the end of 1979. It should be working at maximum capacity by 1981 and the total cost will be in the region of N300m.

The estblishment of 11 river basin development authorities in 1976 was a move of prime importance in furthering long-term agricultural development plans. The intention is that the authorities should develop large-scale irrigation schemes, often covering thousands of hectares at a time, and prepare the area for agricultural development. Though the chemes are financed largely by the federal Government, the State Governments are responsible for most of the day-to-day running.

To take one or two examples of the developments planned, the Chad Basin Development Authority is developing 66,000 hectares of land in the South Chad irrigation project. A 405-hectare pilot project was established at Ngala in 1970 with the help of the CDC which is, however, no longer connected with the project. The first stage is scheduled for completion in March, 1979 and envisages the production of wheat, rice and cotton to begin with and at a later stage other crops and dairy produce.

The Hadejia Jamare River Basin Development Authority's Kand River project has begun with the construction of canal, field channels, drainage systems, access roads, night storage reservoirs and irrigation facilities for 22,000 hectares. The contract for the first phase, worth N66.8m, has been awarded to a Negerian-Dutch concern Nedeco. Phases two and three are planned to cover another 35,000 hectares. Pre-feasibility studies and initial work is going on in many of the other river basin development authorty areas. Many contracts have yet to be awarded and progress has been slower than hoped because of a general shortage of money.

Many individual States are undertaking their own projects, many of them on a smaller scale, in all areas of agriculture and livestock production. But the biggest development projects are being carried out with World Bank assistance and involvement at State and federal level. Since 1971 the World Bank has been involved in twelve agricultural projects requiring total finance of $262.2m. An agricultural mission recently in Nigeria is now considering a further 19 projects and it is thought likely that agriculture will be the biggest taker for the $500m a year which the World Bank is prepared to lend Nigeria for specific projects.

At present there are three oil palm projects in Ondo, Bendel and Imo States, where new palms are being planted to *replace* the ageing stock. In Anambra and Imo a rice project is not moving as fast as planned because the States have been slow in finding their share of the advance cost of the project. Two cocoa projects are underway in the west, mainly in Oyo State, and a third is envisaged; all are eseentially a question of replacing ageing trees.

But the most interesting, and according to experts the most successful, projects have been the large-scale integrated schemes in the north at Funtua, Gusau, Gombe, Lafia and Ayangba. The five projects aim to overcome some of the fundamental deficiencies of farming in the north by concentrating a lot of expertise in a relatively small area.

Thousands of small farmers are involved in each of the projects and improved farming techniques are taught by establishing agri-service centres throughout the project area with an extension worker running a model farm. The farmers are provided with the right inputs of fertiliser, pesticides and improved seeds. At the same time, the farmers have a regular credit arrangement through the project and are able to buy machinery or, as has proved more successful, oxen and ploughs.

Success

Because of the success of the projects both Gombe and Funtua have been urged to expand into other areas of the State. But it is widely felt that the resultant dilution of expertise would not produce results nearly as good as those which have so far been achieved. Among the 19 new projects, however, are similar integrated agricultural schemes for Kwara, Niger, Ogun, Oyo, Ondo and Kano States. The others are forestry projects in Anambra, Cross River, Ogun and Ondo; oil palm projects in other states; the third cocoa project and a continuation of a so far not very successful livestock project being caried on across several states.

Demand is growing rapidly for small tractors, agricultural implements such as simple ploughs, fertilisers agrochemicals, drying and storing equipment, livestock equipment, machinery for animal feed mills and irrigation. The huge land-clearing projects will require heavy machinery and the eventual development of the forests wil increase demand for forestry equipment. The other basic material which will also be in continuous demand is trained manpower, of which there is never enough.

M.W.

Output

CONTINUED FROM PAGE XXXIV

ownership and obliges farmers to prove that they are cultivating land they claim is theirs. For until the basic issue of who owns what is cleared up the Government cannot press ahead with any scheme for rationalising the size of the holdings.

Until then, attempts are being made to encourage co-operatives and to make use of low volume applicators and oxen and ploughs for more efficient farming. In the north, the situation is even further complicated by the system of intercropping which is used in 90 per cent of the smallholdings. The farmer will put up to seven crops in his patch at the same time, which keeps weeds down and acts as an insurance policy in case one crop fails. But it cannot be mechanised, does not allow effective rotation of crops and starves some crops of light.

Big efforts are also being made to encourage the use of fertiliser by subsidies of some 75 per cent. As proof that the farmer has learnt the value of fertiliser, he is prepared to pay up to ten times the subsidised value to buy it on the black market because the poor distribution system means that it is often not there when he needs it, experts s ay. In 1976, more than 20m tonnes of fertiliser were imported and for the first nine months of 1977 the figure was 13m tonnes. Yet the supplies to the farmer are sporadic, and the per capita consumption of fertiliser is still one of the lowest in West Africa.

Problems

Fisheries and forestry have their own problems. Since 99 *per cent of the* fishing is believed to be done by local fishermen supplying the village market, it has proved impossible to freeze or process on any large scale. Attempts are being made to encourage an off-shore trawling industry, but for the moment this still only accounts for an estimated 1 per cent of the catch, leaving Nigeria heavily dependent on import.

With 16 per cent of the country covered in forest, wood had been considered an inexhaustible natural resource and little was done to replant stocks. Although an effort has been made to conserve timber in the past, Nigeria has now had to ban the export of wood and wood products to give the industry a breathing space. A massive replanting scheme has been started but is constrained by finance.

For all forms of agriculture one of the Government's priorities is to ensure that wherever possible the farmer has access to credit. To encourage commercial banks to lend to agriculture the Government through the central bank has started an agricultural credit guarantee scheme which underwrites 75 per cent of commercial bank loans up to N50,000 for an individual and N1m for a co-operative.

A ruling that 6 per cent of total commercial bank loans had to go to the agricultural sector had never been followed because of the difficulties of small holder farmers providing security. The average lending rate was 3.8 per cent, even though the banks had to deposit the difference with the central bank where it attracted no interest. It is hoped that the credit guarantee scheme will change that. As one agricultural expert put it: "Give a farmer the money and the market and you can be sure he will do the rest."

M.W.

A deficit on trade

The current downturn in the Nigerian economy is affecting both overseas trade and foreign investment, examined below.
A severe cutback in Government expenditure this year and major import curbs should reduce the flow of goods to Nigeria. The current squeeze, together with investor uncertainty, seems to be reducing the flow of foreign investment capital. Recently introduced tax changes may also affect foreign interests in Nigeria.

IT IS one of the many ironies of Nigerian life that a mere five months after hosting the largest international trade fair ever staged in Africa, the Nigerian Government should have felt compelled to introduce severe curbs on imports. The juxtaposition of the two events neatly points up both the short and medium-term outlook for international trade with Nigeria.

The first Lagos International Trade Fair, held last November and December, saw a host of businessmen from the West, the Communist countries and the Third World descend on the Nigerian capital, proffering wares ranging from power stations to gimcracks and geegaws. The event was a re-assertion (not that one was needed) of Nigeria's position as Black Africa's trading giant, of its good medium-term economic prospects and of the increasingly fierce competition for this highly lucrative market.

Last April's budget painted a different picture—that because of declining oil earnings the country is in for a difficult short-term spell of economic retrenchment and must sharply reduce its import bill.

The budget included:

- The banning of 13 categories of imports, including footwear, carpets, furniture, ready-made garments and jewellery (a ban on a 14th category, frozen meats, was lifted in May);
- The placing under import licence of 15 categories of goods, including radios, record players, television sets, air-conditioners, built up commercial vehicles and paints;
- The introduction of import duty for some commodities and a sharp rise in the rate levied on many more. For example, the rate of duty on air-conditioners, television and radio sets was increased from 40 per cent to 75 per cent; that on some categories of passenger vehicles from 35 to 50 per cent and others from 40 per cent to 100 per cent; and that on wire rods from 5 per cent to 15 per cent;
- The imposition of a ports development surcharge at the rate of 5 per cent of the duty payable on all imports.

Three further important measures were announced in the budget or shortly afterwards. First, traders importing under letters of credit now have to make an advance deposit of 100 per cent of the value of the letters with the central bank.

Second, the Government has imposed a 25 per cent limit on the mark-up on imported machinery. According to the Trade Ministry, the formula allows a 25 per cent mark-up on the cif value of the goods, plus additional local costs, including duty, port development and delivery charges. Although the Government says the limit does not apply to all goods in the Standard International Trade Classification category seven, which covers machinery and transport equipment, it is not entirely clear just how broadly it will apply. (Some goods are covered by existing price controls.)

Ceiling

Importers of some categories of machinery argue that the ceiling will have little effect on business, while others are seriously worried, maintaining that such a sweeping measure, which does not differentiate between types of goods, will give them an insufficient profit margin and will affect import levels. The Government, which says the measure has been introduced to prevent profiteering, replies that it will keep a close watch on the effects and correct any imbalances.

As introduced, however, the measure does reflect a complaint often heard among traders in Nigeria—that the Government is too prone to take sweeping executive atcion without first consulting the private sector as to the likely repercussions.

The third potentially important measure is the Government's intention to inspect Nigerian imports before shipment. With some justification, it complains of over-invoicing and the inflation of import bills in the past. The Government says the scheme will cover virtually all consumer goods, capital goods and raw materials. But SGS (Societe Generale de Surveillance), the Swiss-based company likely to enforce the operation, will not concern itself with minor consignments having an fob value of N10,000 or less. Traders fear the move could mean further delays in the shipment of goods to Negeria.

All these measures stem from a need to cut down Nigeria's import bill at a time when oil earnings have fallen sharply. (In some cases an additional aim is to give greater protection to domestic industry. In an attempt to reduce inflation, between 1972 and 1976 Nigeria cut import duties as a percentage of the cif value of imports from over 40 per cent to 17 per cent, which meant that in some aras companies were finding it cheaper to import than to produce).

For the first month in many years, Nigeria's visible trade recorded a deficit last August and this position has persisted for many months since then. Although the country ended 1977 with a visible trade surplus of approximately N640m its could well record a visible deficit in 1978. While the value of exports rose 22 per cent last year, there was a phenomenal 41 per cent rise in the value of imports.

The structure of imports remained virtually unchanged, capital goods and raw materials accounting for nerly 70 per cent of the total and consumer goods around 30 per cent, but some extraordinarly large increases over 1976 were recorded among food imports. These were attributable to the serious problems in Nigeria's agricultural industry. Total food imports rose by 79 per cent, while those of rice rose by 788 per cent (from N20m to N178m) and fish rose by 120 per cent.

The export side remains of course dominated by oil, which in 1977 again provided over 90 per cent of Nigeria's foreign exchange earnings. Of non-oil exports, agricultural crops (notably cocoa) provided 4.6 per cent of earnings last year, while manufacturers and semi-manufacturers contributed a mere 1.1 per cent.

Particularly significant has been the stagnation or decline in the past decade of exports of some of Nigeria's major cash crops, partly because of rising domestic demand and partly because of adverse weather, but also in considerable measure because of lower productivity resulting from imbalances in the economy.

In 1977, for example, the export value of cocoa beans did increase by N102.4 and the crop provided 3.7 per cent of foreign exchange earnings. But this was thanks entirely to higher world prices. At 193,000 tons cocoa shipments were marginally lower than they were in 1970. Groundnuts and palm oil, of which Nigeria was once one of the world's major producers, have now disappeared from the export list.

The new import curbs—which could be intensified if they do not have the required result—together with the general sharp cutback in Government expenditure this year, mean that countries exporting to Nigeria now face even greater cut-throat competition for their share of a declining market.

Central to their ability to maintain their share will be the provision of credit, for balance of payment problems have moved Nigeria suddenly from being a cash to a credit market. Contractors for some existing projects have been asked to renegotiate the financing and come up with a proportion of the costs.

Against this background some exporters have been looking into the possibility of oil barter deals with the Government, which is adopting a cautious approach to the issue. While it may push through some deals with suppliers in Eastern Europe, where barter should not affect open market demand for its oil, the chances of any significant deals in the West at at present appear slim.

Although the U.S. has now replaced Britain as Nigeria's largest trading partner because of a huge upsurge in American demand for Nigerian oil, Britain remains the leading supplier of Nigeria's imports, holding some 22 per cent of the market, compared to West Germany's 16 per cent, America's 11 per cent, Japan's 9 per cent and France's 7.5 per cent.

Britain's share of the market has been declining (it was 27 per cent in 1973). This is a normal development when an economy is booming, bringing fresh competitors into the fray, but there does nevertheless appear to have been a reluctance among British exporters to go after the largest contracts, possibly as a result of a "play safe" attitude.

However, Nigeria is no longer a seller's market and a willingness to take risks and go for the big deals will be more decisive than ever in determining Britain's share of Nigerian imports against tough German, French and Japanese competition.

Dominated

While trade with Nigeria remains dominated by the West and Japan, one significant long-term trend is the Government's deliberate policy to diversify trading relations with the more advanced of the developing countries and with its West African neighbours.

Already this has meant an increase in trade with Brazil, which has been making a major play for the Nigerian import market, stressing the supposed cultural links between the two countries that stem from the slave trade era.

Nigeria's hopes for an increase in its trade with the rest of West Africa (which last year accounted for just 3.1 per cent of non-oil exports) are tied up with the development of the Economic Community of West African States (ECOWAS) established in May 1975. The aim is to eliminate all trade restrictions between member States by 1990.

While the timetable may be optimistic there can be no doubt of the long-term direction the ECOWAS countries are taking, and Nigeria, which has forcefully promoted the ECOWAS ideal, should be well placed to take maximum advantage of the grouping.

M.D.

Still room for more

FOREIGN INVESTMENT

FRESH FOREIGN investment is still entering Nigeria, but not at the rate which might be expected, given the boom years the country has enjoyed until recently and given its good long-term prospects.

This statement is impressionistic, since no reliable data exist which would back it up or qualify it. Nevertheless, there is widespread agreement inside industry and in some government circles that this picture is broadly accurate.

Why should this be so? Major contributory reasons appear to include the current downturn in the economy—which is also acting as a brake on new capital investment by established companies—and the current indigenisation programme, whereby foreign companies are required to transfer a substantial proportion of their equity to Nigerian nationals. However essential this move may be from a Nigerian viewpoint, it has acted, in the short-term at least, as a disincentive for fresh investment.

Yet foreign investment (and the transfer of technology that the Government would like to go with it) is a vital factor in Nigeria's industrial development. Until now, relatively few Nigerians have themselves invested heavily in industry, since they can obtain far greater returns from trading or property.

The Nigerian Government is well aware of the need for continuing foreign investment. In a speech in Manchester at the start of this year, the Nigerian Acting High Commissioner to Britain succinctly summed up Government policy:

"Nigeria needs and welcomes foreign investment. The motive behind the indigenisation policy is to blend indigenous enterprise and capital with foreign capital, technology and management in such a way as to ensure fairness to Nigerians and foreigners. Thus, the Nigerian Government will give encouragement and support to genuine foreign investors who are interested not only in high profits and dividends but also in co-operating with us in the transfer of skills and technology."

Moreover, the Government has repeatedly stressed that indigenisation is not creeping nationalisation. But, inevitably, residual doubts remain among potential investors.

Largest

Britain remains by far the largest foreign investor in Nigeria. Although no recent figures exist, it was estimated in 1974 that the paid up capital and reserves of companies of UK origin represented 50 per cent of the total among foreign investors.

British investment is still trickling in (Leyland Nigeria's major new plant at Ibadan, described in this Survey, being a maor example), but at the moment Nigerian officials are particularly hopeful that there may be a significant influx of U.S. investment in the wake of the political rapprochement between the two countries, symbolised by President Carter's visit to Lagos earlier this year and General Obasanjo's trip to Washington last year. More than 40 U.S. companies are understood to be considering the possibility of investment in Nigeria, including General Electric, Ford, Union Carbide and Carnation.

What then, are the incentives and disincentives facing companies as they weigh up the prospects for investment in Nigeria?

Undoubtedly the biggest incentive is Nigeria's great potential. The country's oil and gas resources should give it a very bright future, provided steps are taken to check economic imbalances. It has the largest domestic market of any country in Africa and should become the continent's industrial giant.

For companies already trading heavily with Nigeria, there is an added imperative: the country's determination to industrialise means that foreign companies setting up locally should be granted protection, through tariffs and import licences, from external competition.

So if you are trading with Nigeria, you may stand to lose your market if you do not invest directly. The four commercial vehicle companies now building factories in Nigeria—Leyland, Mercedes, Steyr and Fiat—are examples of this enlightened self-interest.

Furthermore, indigenisation may mean a smaller slice of the cake, but it is a growing cake.

In the opinion of some outside observers, the more tangible investment incentives offered by the Government (such as pioneer status, giving companies a 3-5 year tax holiday) are not very exciting when compared with those granted by some alternative investment centres, yet Nigeria's economic prospects may override this.

On the debit side, there is bureaucratic inefficiency. Chief T. Adeola Odutola, President of the Manufacturers' Association of Nigeria, complained recently that the climate of uncertainty engendered by bureaucratic delays was a significant drag on investment.

Added to this are the high costs of setting up operations in Nigeria, the present (but temporary) poor economic climate and uncertainties among investors about the political future.

But perhaps the greatest brake on foreign investment has been the indigenisation programme. With some justice, Nigerians complain that this has been misunderstood abroad. The aims are perfectly reasonable—to ensure that Nigerians have a fair stake in such an important sector of their economy and that there is a due return to Nigerians for Nigerian efforts.

An additional positive point, not sufficiently stressed, is that the move might theoretically

CONTINUED ON NEXT PAGE

Confusion over recent moves

TAXATION

IN THE last few months Nigeria has introduced a series of tax changes which have severe implications for foreign interests in the country.

There is still a great deal of confusion surrounding the moves. It is not yet known to what extent they are short-term manoeuvres dictated by balance of payments considerations or whether they are part of a longer-term strategy.

There are three key developments. Early in June the Government announced it was revoking its double taxation agreements with nine of its biggest trading partners, including Britain. At the same time it emerged that foreign airline and shipping companies would no longer be exempt from tax. As soon as the double taxation agreements ran out next April they would be taxed at 10 per cent on any money remitted from Nigeria.

The remittances would be held on account pending the submission of returns showing profits made in Nigeria, which would be taxed at the normal corporation rate of 50 per cent.

The final development emerged shortly afterwards and concerned foreign construction interests in Nigeria, one of the biggest elements of international participation in the country. These companies, many of which had effectively been paying little tax thanks to capital allowances, would be taxed at a minimum of 2.5 per cent of their turnover, backdated to 1977/78. This move had been foreshadowed in last year's Budget speech.

Some observers attribute these developments to the economic difficulties the country has experienced recently. Because of falling oil revenues the Government is being forced to raise two $1bn loans this year while banning some imports.

The tax changes could be an attempt to gain extra revenue from foreign companies while adding further elements of discouragement to imports. This view is all the more likely because some of the changes appear not to be fully thought through and could, if pursued to their logical conclusion, lead Nigeria into taxing some foreign companies on a unitary basis. It would be the first developing company to adopt this approach.

Reason

The reason the Nigerians give for revoking the double taxation treaties is that they are inherited from colonial times. Mr. D. A. Olorunleke, director of the Federal Inland Revenue Department, said these agreements were signed long ago and many things had developed since then. Trading relations had changed in both size and form so it was only proper that new arrangements should be made.

Besides Britain, whose double taxation agreement was signed in 1947, the countries affected are the U.S., Ghana, Siarra Leone, Gambia, New Zealand, Sweden, Denmark and Norway.

An internal Federal Revenue departmental instruction gives the date of termination of the treaties as April 1 next year.

Mr. Olorunleke said Nigeria would like replacement treaties to be agreed. However, despite his wish, it looks as if there will be tax confusion for companies trading in or to Nigeria for a considerable time because negotiations on replacement treaties have not yet started.

Double taxation treaties take many years to negotiate. Talks on the new Anglo-U.S. treaty, for instance, began in 1972 and it has still not been ratified. While special factors have contributed to the delay in that instance, there is no guarantee either of a smooth passage for new treaties with Nigeria.

The same departmental instruction spelt out the intention to impose what is effectively a remittance tax on shipping and airline companies. The instruction said the relevant subsection of the 1961 Companies Income Tax Act was "repealed forthwith." This subsection had exempted shipping and airline companies from Nigerian taxation.

Mr. Olorunkele said the subsection, 26(1)g, had not been repealed. But in effect the contradiction is irrelevant because the subsection only applied where the authorities "are satisfied that an equivalent exemption from tax is granted to Nigerian companies." With the Double Taxation treaties repealed, the authorities will be able to argue that the equivalent exemp''on had not been gained, whether or not 26(1)g is in force.

The reasoning is made clear in the instruction. "It will be observed that certain foreign airlines and shipping companies, especially those resident in developed countries, have in the past enjoyed tax-free operations in this country under the reciprocal provisions while their Nigerian counterparts are not yet in a position, or may not be able in the near future, to take advantage of similar provisions in the tax law of those countries. In the circumstances, it is considered that the result achieved is not truly reciprocal."

Until the companies concerned are assessed they will be charged 10 per cent on all remittances abroad. This is effective from June last for companies resident in foreign countries without tax agreements with Nigeria and from April 1 for the nine countries whose agreements are being revoked.

In practice this should not affect shipping companies too badly because most of the trade is inwards and therefore most fees are paid outside Nigeria. Airline companies—which sell services in Nigeria but whose expenses are mainly incurred abroad—could be worse affected.

The real problem will emerge when the Nigerian authorities start to assess the profit made in Nigeria by these companies in order to tax them at the new 50 per cent rate. The usual international practice for airline and shipping companies is to be taxed by the country in which they are resident — and most double taxation treaties have clauses to that effect.

Unitary

If the Nigerians try to establish what profits are made in their own country by these companies they are likely to have to resort to some kind of unitary method, which takes a proportion of the worldwide profits of a group. Mr. Olorunkele said there was no intention to introduce this method, but it is very difficult to see how to isolate the profit made by international shipping and airline companies in Nigeria.

There is also the prospect of retaliation. Foreign companies paying tax in Nigeria would be likely to claim it back from their home tax authorities. These would then be tempted to recoup the tax losses by assessing Nigerian companies on a similar basis.

The 2.5 per cent of turnover minimum taxation on construction companies follows a decree made last year. This was thought to apply to individuals and partnerships only, but it has now emerged that it will apply across the board.

There is an ambiguity in last year's decree, but the authorities have said that a new decree has been approved making the application of the levy to foreign companies clear-cut. This decree will be backdated to the 1977/78 financial year.

The original confusion arose because last year's decree said the levy applied to "persons." The decree was in the form of an emendation to the 1961 Income Tax Management Act that states that "person" includes, among other entities, companies. However, the specific section in which the emendation appears, which was itself added to the Act in 1968, states that a "persen" does not include a company.

Several construction companies have already been told that their taxes have been raised, backdated to 1977/78, under the 2.5 per cent minimum provisions of last year. They are unlikely to appeal because the new reinforcing decree is to be announced shortly anyway.

D.F.

Room

CONTINUED FROM PREVIOUS PAGE

help smooth labour relations. No longer can industry be seen as an alien presence, as a manifestation of economic imperialism. This could help the Government back up industry in the face of unreasonable demands from labour.

Moreover, the rules for indigenisation, setting limits on the shareholding held by any individual Nigerian and demanding that ten per cent of equity sold be reserved for company employees, means that the Nigerian stake is widely scattered. The foreign company's share remains consolidated, leaving effective day to day control in the hands of expatriate managers.

What seems to have worried foreign investors particularly is the timing of the latest operation, since it comes so hard on the heels of Nigeria's first indigenisation moves.

Nigeria began indigenisation in 1972, when a Government decree insisted that certain categories of small and relatively simple types of business be totally Nigerian owned. This largely affected Lebanese, Syrian and Indian traders. It also insisted that 40 per cent of the shares in certain sectors deemed to be of strategic importance be transferred to Nigerians.

There followed complaints about implementation of the decree. Some Nigerians argued that the ownership of shares in large companies had been concentrated too greatly among investors closest to Lagos, the financial centre. As regards the smaller companies, there were allegations that foreigners had used the decree's flexibility to evade it, or that only a nominal change of ownership had taken place.

As a result, the Government set up a panel to investigate the progress of indigenisation, and when this reported in 1976, it came up with some radical new suggestions.

Although the panel's suggestions were significantly toned down by the Government, a decree was brought in at the start of last year which meant a major extension of indigenisation.

This created a new 60 per cent schedule for the minimum Nigerian equity stake, in addition to the existing 40 per cent and 100 per cent categories. Many sectors which had to be 40 per cent Nigerian owned under the 1972 decree were transferred to the 60 per cent category. Other foreign companies had to increase their local shareholding from nil to 40 per cent.

The whole operation is meant to be completed by the end of this year, but given the large number of companies involved and processing delays, it seems inevitable that there will be some carry over to 1979, even if the Government is able to claim that in all cases some documentation has been pushed through by the end of 1978.

Considerable controversy surrounds the workings of the Securities and Exchange Commission, the Government body handling the transfer of shares. As under the 1972 exercise, companies complain that the prices being set by the Commission for their shares are far too low. Prices/earnings ratios are generally in the 2 to 2.5 range, and there have been few cases where they exceed 4. Companies argue that the formula used by the Commission to reach a price — using assets as a floor and generally calculating the price on the basis of profits over the past five years — ignores companies' rapidly changing fortunes. They argue that a weighting system should be used to place more emphasis on profitability in the most recent years.

It is sometimes alleged that companies are being pressured into issuing new shares rather than simply selling off existing ones, which both reduces the share price and means that no foreign exchange is remitted back to the parent company. Although it is emphasised that the Commission is generally amenable to arguments against new share issues, there is a fear that there will be additional pressure to do this in view of Nigeria's run-down for foreign exchange reserves.

However, against these corporate complaints should be set the argument that in many cases the Commission is fully justified in demanding the issuing of new shares. There is a tendency for companies to be less concerned about the maintenance of their capital base than they would be in Europe and in some instances corporate gearing has left a lot to be desired.

Whatever one's views of how well indigenisation is being mplemented, the fact that the latest share transfer exercse has come only five years after the first has meant investor uncertainty, a fear that more could follow.

Another factor which could make companies hesitate before entering Nigeria is the Government's strong new line on investment in South Africa.

At an anti-apartheid conference in Lagos last year, General Obasanjo announced that "we are mounting a surveillance on all those enterprises who depend on our raw mbaterials and markets but continue to help our enemies. Such enterprise must decide now to choose between us and our enemies and all that goes with their choice."

No one doubts that the Nigerian Government means what it says—earlier this year it announced that it was withdrawing all state funds from Barclays Bank and sharply reducing its expatriate quota because of the bank's policy towards South Africa.

Nevertheless, there is a widespread belief that the Government will wish to proceed cautiously and not inflict punishment on Nigeria by its actions, particularly with the current turn-down in the economy's fortunes.

All the above factors mean that, for the moment at least, Nigeria does not seem to be attracting the amount of foreign investment to which its future prospects should give it claim. There are indications that many of the potential new entrants who are looking at the market want to amortise their investment in a very few years. Others are adopting a "wait and see" attitude, allowing the indigenisation dust to settle, looking for an upturn in the economy and waiting to measure the impact of civilian rule.

M.D.

FINANCE

Banks feel the squeeze

Indigenisation—the enforced sale of foreign-owned shares to Nigerians—has meant some significant changes in the country's financial institutions in recent years. The banks, described below, are now at least 60 per cent locally owned, as must be the insurance sector, described on page XL. The sale of shares has also meant a greatly increased workload for the stock exchange (page XLI). However, financial institutions are now feeling the effects of the Government's liquidity squeeze and the Government itself, short of funds, is borrowing on the Euromarket, a development outlined on page XL.

NIGERIAN BANKS are inevitably feeling the squeeze which the Government is applying to the economy in order to cut excess liquidity and reduce inflation. They are also under pressure to step up their penetration of the rural areas and lend more money to farmers. But, apart from Barclays, which ran into trouble with the Government because of its involvement in South Africa, there have been fewer upheavals of the kind that took place in 1976 and early 1977.

There are 19 commercial banks in Nigeria, the newest being Société Génerale Nigeria. The leading banks in terms of deposits all have overseas shareholdings — Standard, Barclays and United Bank for Africa (UBA) — and between them have more than half the 450-odd branches in the country. There are 11 wholly indigenous banks, such as African Continental Bank, Pan African Bank, New Nigerian Bank and National Bank, which are mainly owned by state governments.

Locally

Then there are the five merchant banks, two of them predominantly locally owned—Investment Company of Nigeria (Icon) and Nigerian Acceptances. The others are Chase Merchant Bank, International Merchant Bank Nigeria (which was formerly called First National Bank of Chicago before the Government suddenly took a 60 per cent stake in the foreign-owned merchant banks) and Nigeria Merchant Bank (formerly UDT).

Finally there are the federal government - owned banks which provide mainly long-term finance: the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry and the Nigerian Agricultural Bank. These institutions also contribute to the equity capital of a large number of companies.

The Government has always felt some dissatisfaction at the inevitable trend of the banks towards concentrating on trade finance and personal loans which have been so profitable recently, at the expense of lending to the productive sectors of the economy. And as in other African states the Government has been depressed at the tendency of banking to be concentrated in urban areas and for bankers to ignore the agricultural sector.

All this was borne out in last year's report on the financial system by a committee under Dr. Pius Ogikbo. As a result of it the Central Bank introduced the rural development policy with the aim of spreading banking more deeply into the rural areas. Though the banks had increased the number of their branches by nearly 45 per cent between 1971 and 1976, fewer than 10 per cent of the new branches were in rural areas. Under the new policy the banks were required to open a total of 184 new branches in rural areas, and to open a rural branch every time they opened a branch in a town.

As a further measure to encourage lending to farmers the government this year introduced a N100m Agricultural Credit Guarantee Scheme, by which the banks receive a guarantee for 75 per cent of their advances to agriculture up to a maximum of N1m. The banks are expected to lend 6 per cent of their total advances to the agricultural sector, though this is a target which has been missed by wide margins in the past. The banks have argued that the difficulty of lending to agriculture is more the result of illiteracy and the drift to the towns than deficiencies in their policies.

In general the most common source of finance in Nigeria is the bank overdraft. In recent years company profits have been high, but, because of high costs and the need to expand, most companies have become more dependent on the banks for short-term money.

In the past two years public sector borrowing from the banks has been increasing, and this has resulted in inflationary pressure on the economy. Earlier this year there was heavy buying of Treasury bills and certificates, mainly by the commercial banks. These sales increased the asset base of the banking system.

In the 1978 budget further restrictions were imposed on lending in an attempt to curb inflation. There were minor adjustments to the sub-sectoral lending guidelines, but the main restraint was that bank lending was only allowed to increase by 30 per cent, with the targets having to be met each month. Most of the commercial banks have already achieved this target and as a result are having great difficulty in providing finance for new investment or giving commitments to proposed new joint ventures. The Central Bank has mandatory penalties for banks which fail to meet the targets of the sub-sector guidelines or increase their lending by more than 30 per cent. Two banks were penalised during the previous financial year for exceeding the (then) limit of 40 per cent.

The banks have shown steady growth in assets in the last five years. From a level of N1.4bn in 1972 assets rose to N6.4bn in 1976. The relative share of inter-bank balances in assets has continued to increase, indicating the widespread use of cheques and the growth of the banking habit in the country. This has enabled the monetary authorities to exercise a greater degree of control on the growth of the money supply. The size of commercial bank credit increased from N995m in 1972 to N2.9bn in 1976 because of massive investment in real estate development, offshore oilfields and construction. By the end of July, 1978 total loans and advances granted by all the commercial banks in Nigeria amounted to N2.65bn, with deposit liabilities of N4.79bn.

The government controls imports by restricting the banks in their processing of exchange control documentation. Before 1976 changes were always announced in the budget, but since then changes have been announced at other times, including three sets of regulations covering the imports of capital plant, machinery and equipment in excess of N50,000. On March 14 this year the Government banned the issuing of letters of credit—a move which caught the commercial world completely by surprise. The ban was lifted on April 5, following the budget. Because the budget required the banks to obtain a compulsory 100 per cent deposit from an importer wishing to establish a letter of credit, there was further delay in letters of credit being issued while the operation of the new system was clarified. The deposit has to be lodged with the Central Bank, but the regulation does not cover capital goods, raw materials, medicaments and selected food items.

Drop

As a result there is likely to be a big drop in the number of letters of credit and the result may be that Nigerian importers will seek more overseas finance, probably by way of ECGD-type supplier or buyer credits rather than through confirming houses. And if the present level of imports does not drop as a result there will probably be even more stringent measures.

The budget brought a revised interest rate structure, which had long been expected, and the imposition of a new tax on the banking sector, so bank profitability is likely to decrease. If inflation continues at anything like its present rate the public sector is likely to curb spending further and a curb on excess liquidity would be reflected in Central Bank policy.

In July, 1976, pre-empting the Pius Okigbo inquiry, the government announced that all banks were to be 60 per cent Nigerian-owned within three months and that the stake which would have to be sold to achieve this would be held by the Government. For the commercial banks with foreign stakes this meant selling to the Government only a small percentage of their equity since they were already 40 per cent Government-owned and had sold a further 8-9 per cent to the Nigerian public. New Government directors joined the boards to take a more active role in running and developing them.

For the predominantly foreign owned merchant banks the Government decision came as an unwelcome shock, since they had come to Nigeria on the understanding that they could in due course establish a record on which to issue a prospectus and sell shares to the Nigerian public. Citibank pulled out altogether and two other banks exercised their right to change their name.

The merchant banks have had difficulty conforming to the role the Government envisages for them, and were jolted in 1976 when the Government briefly removed their authority to deal in foreign exchange (they were issuing letters of credit with rather greater efficiency than the commercial banks). The Government would like them to fill the gap between the commercial banks and the state-owned development banks by making medium-term loans, putting together loan packages and leasing. In practice these requirements have proved difficult to meet and the merchant banks' contribution to total lending in Nigeria can only be small because of their relatively small asset base. However, they are now becoming more involved in medium-term lending, and are finding a role in money management services and distributing market debt, while two of them, Nigerian Acceptances and Icon, have the right to handle share issues of the Nigerian stock exchange, which has given them much business with the current indigenisation programme.

Suffered

Meanwhile Barclays Bank Nigeria has suffered problems of its own. The Government reacted sharply to a statement by the chairman of Barclays in the UK (which owns 40 per cent of Barclays Bank Nigeria) in which he defended Barclays' involvement in South Africa on the grounds that to pull out would not be to the benefit of the black majority there. The Nigerian Government ordered all public sector agencies to withdraw their funds from Barclays Bank Nigeria and told it to cut its expatriate staff of 30 by a third.

The surplus expatriate staff have now left Nigeria. The Government has closed those of its accounts which were in credit but left those with debit balances. Inevitably the operations of the bank have been affected by these two moves and Barclays is still negotiating with the Government over the future of their relationship. The Government, of course, holds nearly 52 per cent of the bank's equity.

The South African issue has also caused a slight flurry over the ownership of Nigerian Acceptances. The British bank Hill Samuel owns 16 per cent and provides management services. At the time of its annual general meeting in London in July its involvement in South Africa was highlighted and then taken up by the Nigerian Press. As a result Nigerian Stockbrokers made an offer for Hill Samuel's stake, which the company says it is considering. Unlike the case of Barclays, the federal Government is not involved.

J.B.

Growing volume of business

INSURANCE

MODERN INSURANCE business was introduced into Nigeria by the early British merchants who had established trading posts on the West Coast of Africa. The first insurance company to have a full branch office in Nigeria was the Royal Exchange Assurance which opened its first office in Lagos in 1921. For almost 30 years this company dominated practically all the insurance business in Nigeria until three other British owned insurance companies joined the scene in 1949. By the time of independence in 1960 there were about 25 insurance companies operating in the country, and most of them were foreign-owned. Between 1960 and 1975 the number of insurance companies had increased to almost 80.

Until independence there were virtually no wholly indigenous insurance companies in the country. Before the incorporation of the first set of indigenous insurance companies, insurance business in the country had been underwritten by offices which were primarily branch offices of European insurance companies with their headquarters based in Europe.

Indigenous

With independence and the consequent economic involvement of Nigerians in all aspects of the nation's economic life, there emerged a few indigenous insurance companies. Between 1960 and 1975 a large number of indigenous Nigerian insurance companies commenced operations and these companies now underwrite a substantial volume of the total insurance business in the country. At present, the leading indigenous direct insurance company in the country is the National Insurance Corporation of Nigeria (NICON) which is fully owned by the Federal Government of Nigeria and underwrites at least 20 per cent of the total insurance business in the country.

There are now about 66 registered insurance companies in Nigeria, the number having been considerably reduced at the beginning of 1977 when the Insurance Decree 1976 came into force. This legislation was passed by the Federal Government of Nigeria with a view to controlling the activities of the *so-called mushroom insurance* companies and was also aimed at ensuring a high standard of insurance practice within the market.

The Nigerian insurance market is the largest in Black Africa and has recorded the highest growth rate. For example, in 1967 the total premium income of all the insurance companies in Nigeria was about N18m. By 1971 it had risen to N37m, and in 1972 to about N55m. Although no official figures have yet been released as to the gross premium income of the market in the past two years, it is estimated that the gross premium income of the market in 1978 would be approximately N250m.

With the population approaching 80m, this is still a small figure but the indications are that as people become more insurance-conscious, the volume of business generated by the insurance industry within the country will continue to grow. A conservative estimate of the anticipated premium income in 1980 is approximately N400m.

The Nigerian insurance market recognises and accepts the international nature of theh business of insurance and reinsurance. Practically every insurance company in the market has some form of international connection with a leading international reinsurer based either in the London market or in Europe or America. Furthermore, with the development of regional co-operation in the field of insurance and reinsurance, a lot of business is exchanged on a regional basis with other insurers and reinsurers in other parts of Africa, Asia and other Third World countries.

In the field of reinsurance the Nigeria Reinsurance Corporation (NRC) is the only national and international reinsurance corporation operating within the Nigerian market. NRC is the leading insurance institution in the country and is owned by the Federal Government of Nigeria, although it operates on a commercial basis as an international reinsurer with business connections all over the world.

In addition to its international operations it receives 20 per cent compulsory cessions of all policies issued by every registered insurer within the market. In terms of premium income, which at present is estimated at approximately N50m, it is about the largest reinsurance institution in Africa with a capital of N10m.

The Nigerian insurance market is an open one and competition is free and reasonably fair. Government intervention has been more or less limited to ensuring that business is conducted in accordance with sound insurance principles: that the insurance companies are managed by competent and qualified officials, are run fairly and efficiently and are adequately capitalised. The few State-owned insurance companies such as the NRC and NICON are primarily concerned with ensuring that Government policy in the field of insurance is adhered to and that insurance operational standards within the market are reasonably high. The State-owned insurance companies operate in a free and open competition with the privately-owned companies.

Legislation

All classes of insurance business are transacted within the Nigerian insurance market. The main legislation under which the business of insurance is regulated within the country are the Insurance Decree 1976 and the Nigeria Reinsurance Corporation Decree No. 49 of 1977. Ministerial responsibility for the control of insurance in Nigeria is exercised by the Federal Ministry of Trade which has an Insurance Division under the direction of an official known as the Director of Insurance. This Ministry has an Inspectorate Division which is charged with the responsibility of ensuring that the provisions of the various insurance control regulations are observed.

There are a number of educational and professional associations in the market. The leading educational and professional body for the insurance industry in Nigeria is the Insurance Institute of Nigeria which was founded in 1959. The institute has a code of conduct which every member is expected to comply with. It is the professional and educational arm of the industry and has a membership of about 2,000 drawn from all the insurance organisations within the market.

There is no doubt that the insurance industry in Nigeria has a great future. At present it is the biggest market in Africa and with the present growth rate of about 20 per cent per annum it is anticipated that in the next 10 years the premium income of the market should be well over N1bn.

One of the greatest problems of the market at present is an acute shortage of trained personnel. In order to be able to cope with the challenges of the future, insurance managers must do everything possible to increase the training tempo both on the job and in institutions of higher learning. At present, three of the Nigerian universities are offering degree and diploma courses in insurance and allied subjects and many Nigerian students are still studying for the diploma examinations of the Chartered Insurance Institute in London. Both the Insurance Institute of Nigeria and the West African Insurance Consultative Association are playing an active part in the promotion of insurance education.

With the setting up of the newly formed West African Insurance Institute, supported by the West African governments, WAICA and UNCTAD to be based in Monrovia, Liberia, it is hoped that some solution will be found to the acute shortage of personnel for the insurance industry both in Nigeria and the other regions of West Africa.

J.O.I.

Borrowing $2bn

EUROMARKETS

FOR MANY international bankers, involvement in the two $1bn medium-term Euromarket loans which Nigeria plans to have raised this year has been akin to time travel. The country is large, with a big population, it has tremendous potential for diversified growth and ambitious programmes. On the other hand is it relatively unsophisticated in international finance and trade and it is a first time borrower. Such a combination has not been seen for the best part of a decade.

When the first $1bn loan was launched last summer, all reactions were positive. In so far as it wanted to borrow at all, Nigeria had preferred to rely on funds from international agencies like the World Bank. When from 1974 burgeoning oil revenues made it too rich to tap this source, it stopped borrowing altogether, planning to pay cash for imports.

The emergence of a current account deficit in the past couple of years has led it to change this policy. At a time when banks were already heavily committed to other large countries with substantial foreign earning capacity, a new name with oil revenues was a magnet to attract all eyes.

The other side of the picture has been the morass of administrative, legal and other complications which the banks involved in the loans have had to wade through before anything could be done. Nigeria seemed to concentrate all the problems that bankers had ever had with any other single loan. Once one problem had been solved another would emerge.

Even the managers of the two loans have often not known what was going to happen next. The public relations effect on the international banking community in general was disastrous.

The managers ended up with the vast bulk of the first loan unsold on their own books and caution has been a keynote on the second.

Ten years ago many of the problems of Nigeria would have been duplicated among a dozen of the larger borrowing countries. But in the meantime these other large borrowers, like the banks, have become accustomed to greater administrative smoothness.

Such first time unsophsticated countries as have tapped the international banks for medium-term loans recently have been small and in general handled by one bank. The size of Nigeria's borrowing programme has meant that a maximum number of banks have had to be involved from the start.

The big problem of the new $1bn loan has been competing commitments by potential lenders. Apparently, a large number of projects have been tendered for or contracted for in Nigeria by companies around the world. In the case of tenders, several companies might be tendering for the same contract. However, in line with Nigeria's new policy of borrowing the money for its capital imports, each company tendering might have arranged back-up credit commitments with its commercial banks. Because of these, many banks refused to come into the new $1bn loan.

When they had discovered the dimensions of the problem, the six loan managers flew down to Lagos as a group to make proposals to the Nigerian Ministry of Finance and the Central Bank.

The result of this meeting was a Telex sent out from the office of the permanent secretary of the Nigerian Ministry of Finance to a large number of international banks on August 3.

The text of this Telex makes it clear that at the time it gave

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New Decree forces exchange to adapt

STOCK MARKET

THE RUSH of companies seeking public quotation in order to comply with the Nigerian Enterprise Promotion Decree has put immense pressure on the Nigerian stock exchange. From being a slow moving market dealing largely in Government stock, it is having to adapt very quickly to its new role as the focal point for trading in millions of shares. At present 45 companies are quoted on the exchange, but by the end of this phase of indigenisation, another 100 odd companies will be added to the official list. In all, 150m-200m shares will be sold publicly, and although the Nigerian Securities Exchange Commission (NSEC) has yet to fix price and conditions for some issues, the total value is estimated conservatively at between N80m and N100m.

The first indigenisation decree was criticised by the Nigerian Press for not encouraging enough companies to seek public quotation. Of the 950 enterprises affected by the 1972 decree only 22 went to the market. The major objection was said to be the companies' reluctance to pass through the Capital Issues Commission (now NSEC), which was accused both of fixing artificially low share prices and of subjecting companies to too much public scrutiny. In addition, the cost of raising finance in the market could be very high—in the case of Boots, for example, the cost reached 25 per cent of the gross proceeds from the sale of shares.

But under the 1977 decree the larger companies are obliged to pass through the exchange. One of the main reasons for that is to give the small investor a chance to buy shares. So that institutional buyers do not squeeze out the small investor, the decree also put a limit on the maximum holding of an individual in any public company to 5 per cent of the equity or N50,000, whichever is the greater. As a direct result, there are already between 500,000 and 1m shareholders with only N200 to N300 worth of stock. The result for the companies has been a shareholders' list containing as many as 70,000-100,000 names.

Expansion

Considering the size of the task facing the exchange, many people feel it has done well to cope. It has begun a major expansion programme with the opening of the first of two branch exchanges at Kaduna on July 31 this year, and the second branch exchange at Port Harcourt should open later this year. The Lagos exchange itself is moving from its present cramped first-floor premises to more spacious temporary accommodation in NIDB House until the new Stock Exchange House is completed by the end of 1979.

But although the expansion has been impressive, many problems remain. No one seems to believe, for instance, that the market can possibly absorb the full 100 new issues by the end of this year. Organisationally, the system is already under great strain. Shareholders complain that they wait weeks, even months for their share certificates, or, if they fail to get an allocation, for their money back. The exchange blames the registrar for some of the delay, adding that the postal network is slow and the printers fail to produce the certificates on time. The printers in turn blame the power cuts.

On top of that, the exchange's insistence that every signature is verified to prevent multiple applications (far more common since the new maximum limit was introduced) makes delivery time anything from three weeks to six months. The exchange's management is making every effort to speed up delivery time but is hampered by having to do everything manually and by the common problem of not having enough trained staff.

But there is equally no doubt among bankers that the market would be incapable of absorbing the new issues financially. The exchange has prepared for that by setting up an emergency warehousing system for shares which have to be floated after the December deadline. It is felt that the restriction on the number of shares institutions may buy will have to be lifted in order to take up the full volume of share issues, although there are also hopes that the branch exchanges will attract new investors. The exchange in Kaduna, especially, is expected to spread awareness of the market and open up some of the very large amounts of funds thought to be in private hands in the north.

Once the hectic period of new issues is over, it is generally believed that the Government will begin to relax some of the restrictions on the exchange to make it an effective part of the capital market. Until now it has been strictly regulated, with such a tight rein being kept on share prices that the exchange has earned itself a reputation for meddling in the affairs of quoted companies. Prices are not allowed to fluctuate more than one or two kobos (100 kobos=1 naira) at a time during the day's trading and no dealing in shares is allowed outside the exchange.

Control of share prices is justified, say officials, to prevent violent fluctuations which might destroy the confidence of the small investor in the market. It is also felt that an undeveloped free-moving market would be at the mercy of a more sophisticated operator, and until the Nigerian market has more of a track record in dealing with equities it is not advisable to allow share prices to float freely. Businessmen add that if the prices did move freely they might put the original prices set by the NSEC in a bad light.

The restrictions are one of the main reasons for the lack of any significant secondary market. Compared with the new issues market, secondary trading is very light. A recent weekly report in Nigeria's Business Times was headlined "Dull week on the stock market" and went on to say there had been 27 full transactions, six in long dated Government stock and the rest in small amounts of equities. While share prices are pegged there is no incentive to trade, but there are other reasons for shareholders hanging on to their investments.

Restraint

Before the introduction of dividend restraint in July 1976, dividends were sometimes so high that it was possible to recover the cost of the share with the first dividend. Since then, some companies have had to increase their capital base so that payouts are lower, but shareholders still show little sign of parting with their shares. The main reason is that there is little alternative form of investment. The first share issues for the 1972 indigenisation decree and what issues there have been given have all been oversubscribed by an average of two to three times.

Businessmen add that because they believe the shares are sold at such an advantageous price to the buyer in the first place the investment is secure.

The introduction of dividend restraint did do something to stimulate the secondary market. The maximum dividend was 16.5 per cent not of paid up capital which was raised in the last budget to 20 per cent net. This made it more difficult to service bank loans which had been raised to buy shares, and some investors had to cash in their shares to pay back the loans. The restraints also left some companies with large surpluses of cash, which some of them capitalised by making scrip issues which the shareholders then sold to make up for lost dividends. The large new issues later this year should also stimulate some secondary trading.

But as the extra equity soaks up more and more of the available liquidity, experts believe the least popular form of investment will be Government stock. To encourage more dealings in gilt-edged securities the practice of trading all the stock back to the central bank at par no matter when it matured has now ended. Institutional buyers are committed to buying some Government stock, and the commercial banks use it as secondary reserves, but a 35 year long-dated stock with a coupon rate of 7 per cent looks far less attractive than an equity which pays even 9 per cent net.

Government stock has been the traditional backbone of the market. The first Nigerian development loan was floated in 1959, and new stock has been issued every year, underwritten 80 per cent by the central bank. This year's N400m loan will as always be used to finance development projects in the states, none of the loan going to the federal Government.

What will increase competition for funds even more is the announcement by Bendel State this month that it was floating the first state stock to raise N20m for housing projects. The Federal Government has given the go ahead for states to raise their own finance in the market but it refused to underwrite any of the issues. The loans have to be related to specific projects and it is generally felt that if the Bendel initiative proves successful, other states will follow.

The slow rate at which the Stock Exchange has developed has made it difficult to gauge just how much the market can absorb. The first official list was published in 1961, the year the Stock Exchange Act was passed, and showed six government stocks from three to 24 years maturity and coupon rates of 5-6 per cent, one preference share and three equities (John Holt, Nigerian Cement and Nigerian Tobacco). Turnover in that first year was N4.1m in Government stock and N250,000 in equities. By 1971 turnover in Government stock was N26.7m and in equities N1.3m, while the number of deals had risen very slowly.

Few companies have come to the market voluntarily to raise finance. Some sold a small percentage of what was already relatively small equity base through the exchange, but on the whole the market stagnated until the first indigenisation decree of 1972. After the decree, some companies did go to the market for funds because the rate of expansion in the Nigerian economy led in some cases to a very high gearing and undercapitalisation. Those companies which have gone to the market for financing expansion have found a marked enthusiasm for debenture stocks and other fixed interest securities.

Beyond the problems of the present, the Nigerian stock exchange has ambitious plans for the future once it has had a chance to develop at home. Officials at the exchange speak of an Ecowas exchange to promote the free flow of capital between the member states of the embryonic West African Economic Community. Already Ghana has set up a mini-exchange with help from the Nigerians, and Ivory Coast has also shown considerable interest in setting up an exchange.

M.W.

Borrowing

CONTINUED FROM PREVIOUS PAGE

the six banks a mandate to arrange the loan on July 7, the Ministry of Finance had undertaken not to raise further sums on the Eurocurrency floating rate market this year.

The Telex sets out very well the predicament in which the management group found itself. It also makes clear the Government's decision to centralise all external financing (other than export credits, World Bank loans, etc.) into Central Government borrowings whence funds would go downstream to finance particular projects.

"We should like to stress that we attach much value to seeing the $1bn loan well placed and accepted by the market, in view of the important role such a loan plays in the financing of Nigeria's capital budget and consequently in the financing of your customers' projects. For projects attracting the exporting country's government credit facilities i.e. (Eximbank, Coface, Hermes, ECGD, Eximbank of Japan etc.) shortfalls in funding will be met from internal resources or by additional generally syndicated Eurocurrency borrowings, floating rate notes, and fixed rate instruments. We have no intention of financing these projects through any other form of bank borrowing, such as project-related commercial bank loans.

"It is necessary to re-emphasise that the Federal Ministry of Finance is solely responsible for negotiating and concluding any agreement for external borrowings or guarantees for all public sector borrowings by both Federal and State governments and their agencies. In the case of state governments, it is necessary to joint out that their external borrowings are limited only to export credits and project loans procured on their behalf by the Federal Government from the World Bank or regional development banking institutions such as the African Development Bank.

"Consequent upon the foregoing clarification, the Federal Ministry of Finance hereby calls upon all those banks who have made financial commitments to Ministries or Government agencies with a view to financing any of the projects enumerated above to transfer such amounts to the U.S.$1bn syndicated loan presently being arranged."

For the managing banks, this was not the end of the road by any means since bankers might well feel that their commitment was not to the Nigerian Ministry of Finance but to their corporate customers. They needed to be formally released from these commitments by the companies whose tenders they had made commitments to support. Even if the companies were in principle prepared to take the Nigerian Finance Ministry's Telex at its face value (and it seems that some fear that there might be a change of heart) they might fear that if they released their own banks while their competitors in a tender did not release theirs, then they might still find themselves at a disadvatage in negotiations.

Even last week, three weeks after the Nigerian Telex had been dispatched across the wires, some bankers were still arguing that their hands were tied by commitments to companies tendering or already in receipt of contracts. It seemed, however, that several major companies had responded to the Telex and taken positive steps to free their bankers.

Nigeria's external debt and its borrowing requirements are the least of its external financing problems. Since it had borrowed only sparingly even from the multilateral agencies until this year, and since it has little short-term debt (even owed by the private sector) its borrowing consists mainly of what it has built up since the beginning of this year.

Even after allowing for both $1bn loans, the cost of servicing the public sector's funded external debt will peak in 1982 at 4.9 per cent of 1977 exports of goods and services.

By the standards of any other significant borrower, Nigeria has a tiny foreign debt.

The Nigerians had last year intended to raise $2.5bn in project-related borrowings and suppliers' credits between late 1977 and early 1980. At the same time $1bn worth of borrowing was scheduled from the World Bank and other multilateral agencies in the fiscal years April, 1978-March, 1980.

Under the new projections, detailed planning is set out only up until March, 1979, but it is indicative that suppliers' credits and project related bank loans have been completely omitted from the list of projected borrowings: nearly half the scheduled $2-2.5bn worth of borrowing during the current fiscal year is taken up by the proposed $1bn syndicated Euroloan. The schedule also includes $600m official export credits, $200m from the World Bank and European Investment Bank and $140m in bilateral loans from Hungary, Poland and Czechoslovakia.

The final and most controversial element is proposed bond issues amounting to $200m.

M.I.C.

INDUSTRY

A host of problems

Although the Government has embarked on a major heavy industry investment programme, the main burden of industrial development in Nigeria remains with the private sector, which has not had an easy time in the past year. Power failures and price controls have all spelt difficulties. Now liquidity problems are looming. The broad industrial framework is examined below, while the achievements and problems of three individual companies are examined on pages XLIII and XLIV.

Ashaka Cement Works is now nearing completion. The plant is being built by Costain (West Africa).

"NIGERIAN manufacturers are beset with a host of problems, such as frequent power cuts, inadequate water supply, shortage of trained manpower and non-availability of facilities for additional working capital, which not only result in reduced production, but also discourage expansion of existing plants."

This gloomy introduction to an article in the latest issue of The Manufacturer, journal of the Manufacturers' Association of Nigeria, illustrates the unhappy atmosphere that has existed in many sectors of Nigerian industry during the past year.

Severe electricity problems, high labour turnover and price controls on selected commodities have meant, for many companies, productivity difficulties and sharply reduced profits.

This may be to give an over-simplified account of industrial developments, since Government policies and infrastructural problems have had different impacts on various sectors. Nevertheless, the overall picture is backed up by statistics. Nigeria's index of industrial production rose merely from 137.1 for 1976 to 142.5 for 1977 (1972 equals 100), according to preliminary data which may well exaggerate the increase.

Again, generalisations are difficult when it comes to the short-term prospects for industry. The current downturn in the Nigerian economy and the sharp cutback in Government expenditure will clearly hit hard at some sectors, such as construction.

But measures introduced in the last budget, such as import curbs and a partial relaxation of price controls, should help some manufacturing sectors to come through the next few years relatively comfortably. It remains true that virtually everything manufacturers produce in Nigeria for private consumption will find a ready market.

That said, many companies are now facing major cash flow problems, partly because of the Government's shortage of funds and partly because of other measures introduced in the budget. Company tax was increased by 5 per cent and changes in the revenue-gathering system mean that companies now lose their 15-month grace period for full tax payments. This year companies will be virtually paying two years' taxes in one.

The Government's shortage of funds means that some companies are complaining of delays in payment for work done. Several others, partners in joint venture projects, are being driven into the domestic money market in search of funds. Yet the current liquidity squeeze means that funsd are in short supply, both for these companies and for others approaching banks because of cash flow difficulties.

There is a widespread feeling that a few smaller companies with insufficient financial resources to tide them over this difficult period may face bankruptcy.

With a few significant exceptions, the prospects for fresh private sector investment over the next couple of years do not look particularly bright. Some companies, already committed to expansion, may face funding hurdles. Those not committed appear to be adopting a wait and see attitude, regarding 1978 and 1979 as at best a period of consolidation and recovery from the problems of the past year.

Shortage of funds will of course also be a significant delaying factor in the extremely ambitious public sector investment programme embarked on by the Government under its 1975-80 development plan. The ideas behind this programme may have been sound but the plan, drawn up in the heady days after the 1973-74 oil boom, overestimated available resources.

Basis

Nevertheless, the ideas behind the plan remain the basis of Nigeria's industrial development strategy and are therefore important. The plan started by pointing out that in 1974 manufacturing contributed only 8 per cent of GDP (this had risen to 10.7 per cent by 1977) and that this compared unfavourably with many countries at a similar stage of development, even allowing for the unusual importance of the oil sector in Nigeria.

The plan stressed three particular weaknesses—the dominance of low technology light industries, such as food, beverages, tobacco and textiles; the virtual non-existence of an engineering industry; and the relative weakness of the intermediate goods sector, including indsutrial chemicals and fertilisers.

The Government said it would adopt a two-pronged stategy. First, private enterprise, both indigenous and foreign, would be encouraged by the removal of administrative bottlenecks, the improvement of infrastructure and the liberalisation of industrial policy. The practical results will be discussed below.

Second, the Federal Government would itself become involved to an unprecedented decree in the establishment of basic industries which would draw to the maximum extent on locally produced raw materials and which would provide a sound framework for further industrialisation.

In some sectors, considered to be of strategic importance, the Government would take 100 per cent of the equity. The establishment of major iron and steel works is one example. In other areas, the Government, both at State and federal level, would go into partnership with private industry. Here, an example is the four commercial vehicle factories being established by Leyland, Mercedes, Steyr and Fiat.

Federal Government projects, some of them rolled over from the second development plan, included the establishment of an iron and steel plant at Ajaokuta, two direct reduction iron works at Warri and Port Harcourt, three new cement factories, four commercial vehicle plants, three integrated sugar projects, two paper mills, a downstream petrochemicals complex and a nitrogenous fertiliser plant. By far the most important of all, in terms of foreign exchange earnings, is the long existent plan for a huge liquefied natural gas plant.

Sound

The Government's investment plans were generally regarded as sound and sensible in conception, although some outside experts argued that the size of some projects might be too large, given the existing domestic market.

A considerable amount has been achieved. One of the cement works has gone into production, while the comercial vehicle plants should all be in production before the end of the plan period, as should the paper mills and the other cement projects.

But feasibility studies and sharply escalating costs at a time of declining oil revenues have delayed other projects and, in at least one case, have meant a scaling down of the original scheme.

In the steel sector, for example, there will be only one direct reduction works (at Warri) in the near future, the second plant having been indefinitely postponed because of financing and other difficulties. Negotiations are still going on with the Soviet Union for construction of the Ajaokuta plant, which will not come on stream until well into the 1980s. Some official sources say it could be as late as 1985, but others deny this.

Public sector industrial achievements may appear mixed when compared to the plan, but it would be unrealistic to expect all or even most of the targets to be reached. After all, national plans the Third World over are more a guide to the direction of the economy. Achievement invariably falls short of aims. The Nigerian programme, generally soundly based, is moving ahead, albeit with some substantial hiccups.

Nigeria, however, remains essentially a laissez faire free enterprise economy where the private sector has a vital role to play in industrial growth. As Dr. R. A. Adeleye, the Federal Commissioner for Industries, pointed out earlier this year: "Official policy is to minimise direct involvement of the public sector in manufacturing industry as far as possible and consistent with the best interest of the nation . . . the challenge to private enterprise is, therefore, almost limitless."

Unfortunately, few Nigerian nationals have yet taken up that challenge, in large measure because . Nigeria's economic imbalances have until now made it much more profitable for many entrepreneurs to invest in trading or property, while other potential industrialists do not have sufficient access to capital. The main burden of private sector industrial development has, therefore, fallen on the subsidiaries and associates of foreign companies.

The second stage indigenisation programme was not forseen at the time when the Government published the current development plan, with its assurances that industrialisation policy would be liberalised. Nor, many industrialists would argue, has there been much evidence of administrative bottlenecks being eased. Sweeping decrees, sometimes retrospective, are still issued by the military Government without prior warning, adding to the climate of uncertainty in industry.

All these problems are reflected in the lower rates of growth now being experienced in industry. Ironically, manufacturing was one of the most dynamic sectors of the Nigerian economy until the 1973-74 oil boom. There was a rapid growth of import substitution industries during the early 1960s and throughout the civil war, thanks to import restrictions. In the immediate post-war period, industry responded quickly to the surge in demand and output rose by more than 10 per cent per annum between 1970 and 1973.

Slackened

Thereafter the pace slackened. Production increased by only 6 per cent in 1974, in some measure because of uncertainties over the first indigenisation exercise, when minimum Nigerian equity participation was set for a number of small and medium scale enterprises.

In 1975 negative growth of 7 per cent was recorded. This was the year when the Nigerian economy became seriously imbalanced. With inflation soaring, the Goevrnment slashed import restrictions and duties in an effort to combat the steep rise in the cost of living. In some sectors, it became cheaper for people to import than to produce, for this was also a time of substantially increasing domestic costs, due in no small measure to the huge pay awards granted to workers that year. Furthemore, severe port congestion sharply reduced the availability of raw materials.

Since then industry has never quite recovered its balance. In a further anti-inflation move, the Government imposed strict restraints on wage increases in 1976 and coupled this with price controls on a variety of everyday commodities, including cement, building materials, motor vehicles, tyres, beer and soft drinks. The effect of the wage restraints has been to increase labour turnover and produce industrial unrest, while price controls have cut into profits.

Admittedly, two moves by the Government in the last budget have significantly improved the position. The raising of tariff barriers, the imposition of bans on selected imports and the placing of others under licence should work strongly to the advantage of some sectors of domestic industry. Though some manufacturers complain

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Ibadan plant is on schedule

LEYLAND NIGERIA

CONFIDENCE VERGING on mild euphoria is not a mood normally associated with BL but that is the atmosphere at present in its Nigerian associate, Leyland Nigeria.

The reason is that Leyland Nigeria is on target for the scheduled opening next March of a major new commercial vehicle plant at Ibadan. That is no mean achievement, given the frustrating delays that can occur in Nigeria with such a project.

The scheme is an example (albeit at the moment a rare one) of fresh foreign investment going into Nigeria and also illustrates the careful contingency planning necessary for such an operation.

Since Nigeria is now BL's largest single export market for commercial vehicles, the company has a particularly vital interest in ensuring the success of the Ibadan plant. Last year BL sales in Nigeria were worth over N80m. In 1977, Nigeria accounted for 29 per cent of Leyland truck and truck components exported from Leyland factories in Britain to markets outside Europe.

BL can therefore ill afford to see its commercial vehicle sales to Nigeria go the way of Britain's car exports. British cars, including those made by companies now under the BL umbrella, once dominated the Nigerian market but their place has been taken by French, Japanese and German rivals.

To defend its market interest BL was one of more than 20 companies which put in bids when Nigeria decided in the early 1970s to set up its own commercial vehicle industry. Leyland was one of four companies chosen to establish plants in partnership with the Government, the others being Mercedes Benz, Fiat and Steyr of Austria.

Leyland Nigeria, with an issued capital of N15m, was formed in August 1976, Nigerian public and private investors holding 60 per cent of the equity and Leyland International 40 per cent. Leyland undertook to begin production within 30 months of the company being formed, a very tight timetable in Nigerian terms. But the roofs are already on the plant buildings at the 126-acre site just outside Ibadan, and barring unforeseen problems Leyland will begin production in March ahead of its three European rivals.

The achievements at Ibadan offset two recent controversies over the sale of BL vehicles in Nigeria. The first followed a Government decree that there should be three domestic distributors of each make of car brought into the country.

BL objected, arguing that its small quantity of Nigerian car sales meant that agreements with additional distributors would not be financially viable. Restrictions on BL car imports followed, although there are hopes that the problem will be resolved soon.

Controversy

The second controversy involved the establishment by the Government of a special panel to investigate allegations that N285,000 had been improperly received from BL by some unknown Nigerian agents as commission for the purchase of Leyland buses for official use during the Lagos FESTAC Black Arts festival.

The commission's report said there was no reason to suspect Leyland had bribed any Government official. But it did conclude that, despite Leyland denials, the company had paid money to a prominent Nigerian businessman who acted as its private agent, as well as paying commission to its accredited agent in Nigeria. The report closed the issue, which does not appear to have affected Leyland Nigeria's relations with the Government.

The importance of the Ibadan plant for BL is shown both by the strong management team selected for the job and the impressive speed with which it moved into action.

Richard Morley, managing director of Leyland Nigeria, was head-hunted from Lotus specially for the job, while Graham Pulfer, his plant manager, has spent 29 years with Leyland, many of them overseas on similar projects. Morley's tough and aggressive approach contrasts with Pulfer's steady optimism, but it is a combination that seems to work well in a Nigerian context, where a cutting edge and the ability to sit for long periods in Government offices are both useful attributes.

The company got off to a rapid start by putting management manpower on the ground immediately after concluding a memorandum of understanding with the Government, but before the final agreement was signed.

A plant site was quickly agreed with the Government of Oyo State, whose capital is Ibadan. One unforeseen hold-up occurred when local villagers armed with shotguns and machetes, refused to allow any survey work, fearing they would not get the compensation they had been promised for moving home. Leyland executives found themselves embroiled in heated village debates before the issue was resolved.

The plant itself is an impressive show-piece which should bolster the company's Nigerian image. The operations monitoring system will be based on a centralised computer with video-terminals; the office block is attractively designed and open-plan; there is a training centre equipped to house 200 under full-time training.

A strong training programme will be essential, for under the terms of its agreement Leyland is committed to reducing its expatriate staff to three within six years and to increasng local content to 70 per cent in seven years. From the outset the plant will be assembling engines from component parts and a foundry and pressing shop will be established later. Component manufacturers such as Pilkington Glass are already starting to set up nearby operations.

Specific local problems have meant numerous contingency measures. These include spending an additional N1m on generating equipment because of the unreliability of the country's power suplies and the establishment of the company's own big parts warehouse in case of delays in the flow of supplies from Britain.

Unknown

Despite the achievements so far, Leyland's biggest test will come when production starts. One unknown is how well the company will be able to retain staff. Experience elsewhere in Nigeria suggests a high turnover is a possibility, with people quitting to set up their own workshops.

Sales in Nigeria of commercial vehicles have grown very rapidly in recent years and BL, together with other major manufacturers, has found itself taking a declining share of an admittedly expanding market. That process should now be reversed. In advance of local production the Government is already granting a measure of protection to Leyland, Steyr, Mercedes and Fiat for CKD (completely knocked down) imports.

Leyland expects its market share to rise from 13 per cent last year to over 16 per cent this year and aims to capture 20 per cent once Ibadan is in production. If progress at the plant is any guide it should be in a strong position to do so.

But it will need full backing from the UK end and the project will be just as much a test of the ability of BL there to ensure a smooth supply of parts.

M.D.

Problems

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that the overall effect of the budget will be to raise their raw material costs and reduce their competitiveness vis-a-vis imports, these do seem to be isolated anomalies.

Secondly, the Government has partially relaxed price controls, which now apply to only nine commodities, including motor vehicles, bicycles and matches. Nevertheless, even for decontrolled commodities, some element of price constraint still exists. Government guidelines state that increases should only be effected where "it is shown that increases in costs cannot be absorbed by a company without undesirable consequences to it."

However, industry is thankful for what relaxation there has been. Profit margins had been squeezed to the point where some companies were running at a loss, although in fairness it should be pointed out that during the 1974-76 boom years, despite all the problems faced by industry, profit margins widened markedly and in some cases earnings per share increased by staggering proportions. If business has been squeezed in the past couple of years, it had done extremely well before then.

One of industry's major complaints about price control was that it simply did not benefit the consumer, and there is a lot of truth in this. Supply shortages (in some cases exacerbated by lower productivity because of price controls) meant that the middleman could impose a huge mark-up on goods and still dispose of them.

The Government has now moved to a system of retail price maintenance (which bears no relation to the British system of the same name), whereby manufacturers are supposed to police their distribution network and withdraw supplies from any trader who imposes an excessive mark-up. Manufacturers say that for most products the system is totally unworkable.

While the budget may in some respects have been favourable to industry, this was certainly not the case for the large trading companies, which now face greater import licensing restrictions and higher tariffs. Particularly hard hit are those companies dealing in imported vehicles, to which price controls still apply. Movements in the value of the Japanese yen and the Deutschemark have seriously affected the profits margins of motor companies dealing with Japan and West Germany.

One of numerous surprises in the budget was the Government's refusal to relax wage controls at the same time as those on prices. Instead, it is looking at way of non-wage, non-inflationary relief in area such as food, transport and housing. Indeed, one measure announced in the budget was that it would now "be a requirement that every firm or organisation with at least 500 employees should introduce a housing scheme or housing loan scheme for its employees."

Taken at face value, this announcement might appear alarming—few industrialists anywhere in the world would want to become embroiled directly in housing schemes. However, it is understood that the Government may be considering a plan similar to that operating in Mexico, where there is a payroll cess and a separate housing authority responsible for administering the scheme.

Continuing wage restraint has added to industry's difficulties over the past year and could create even bigger problems over the coming 12 months.

Combination

Take-home pay has been rising (some believe by as much as 10-15 per cent per annum) through a combination of factors. First, the Government has permitted annual merit increments and in the case of lower paid workers it did permit a slight increase in wages last year. In addition, companies have been getting round the restraints by reclassifying the jobs of some workers, even though their tasks are essentially the same, or by genuinely promoting people. Thirdly, workers have been moving from company to company and sector to sector to get higher pay. Some companies estimate that their labour turnover was in excess of 30 per cent last year.

Fringe benefits and pay restraint have greatly squeezed wage differentials. And with inflation galloping away at 30 per cent or more, labour in not in a very cooperative frame of mind. Last year industrial go-slows were commonplace. Worse could follow in the coming year. Many industrialists feel pressure is building up for another wages explosion. Their hope is that the Government will allow a gradual relaxation of pay restraint before these forces get out of hand.

At a time when they are battling against severe infrastructural difficulties, labour problems are the last thing industrialists need.

Probably the greatest constraint faced by industry during the past year has been the power rationing imposed throughout the country by NEPA, the National Electric Power Authority. (Some wits insist it should be renamed "No Electric Power Again.")

The reasons for these constant blackouts are described elsewhere in this survey. What of the effects? Between October last year and May of this, when the situation was at its worst, some factories were running between 30 and 50 per cent below their productive capacity. Costs were greatly increased. Labour was left idle but had to be paid. Emergency generators had to be installed at considerable expense. (It also costs more in Nigeria to generate your own power than to be supplied by NEPA, and even then you may run out of fuel because of oil distribution problems.)

The position is now said to be much improved, though still far from perfect. Industry has also had to face water shortages, again pushing up costs, since many companies have sunk their own boreholes.

All this is in addition to the more normal infrastructural problems of Nigeria that push up costs; telephones that do not work, and serious traffic jams.

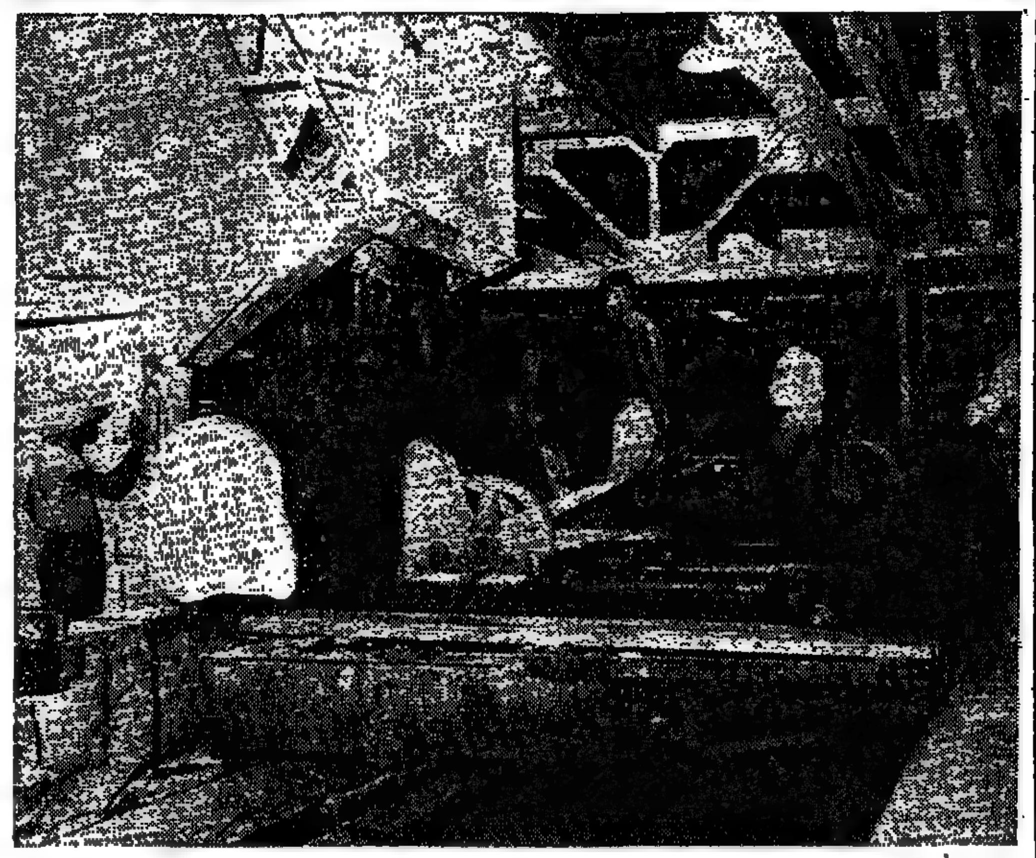
Again, however, these are difficulties which do gradually appear to be easing. It is hardly surprising that immense strains should have been placed on the Nigerian infrastructure by the oil boom and that this should have been unable to cope.

Given time, these problems should be solved and the outlook for Nigerian industry should be rosy provided Government can correct the imbalances in the economy. With a population of 80m-100m, the country provides, by far the largest domestic market in Africa and must eventually fulfil its potential as an industrial giant. Even if the short-term outlook is mixed, the long-term possibilities are immense.

M.D.

Steady investment pays dividends

AFRICAN TIMBER AND PLYWOOD



Top: cutting tree trunks at Sapele. Above: preparing logs for sawing in a plywood mill.

IT CAME as something of a shock to Nigeria's biggest wood-based industrial concern, African Timber and Plywood (A. T. and P.), when in 1976 its traditional market disappeared virtually overnight. A. T. and P. had long been a major exporter to Europe, but when Nigeria banned the export of all timber and finished wood products, the company had to change its marketing and sales strategy completely and sell at home.

Nigeria made the decision because of the growing needs of its own rapidly expanding construction industry. Once a new sales force and distribution network had been set up, A. T. and P. discovered a large and growing domestic market inside the country. One look at the turnover figures during that period proves there was no hiccough in expansion.

In 1974-75, turnover was N14.3m, in 1975-76 it was just under N19m and by 1976-77 it could boast a figure of nearly N25.5m. Between 1972-73 and 1976-77, turnover increased by 151 per cent, while at the same time the amount of capital employed rose by 318 per cent. In other words the business had grown more than fourfold in five years. Underlining the trend, turnover for 1978-79 is projected at around N30m, and there is continuing heavy investment.

A. T. and P. was 100 per cent owned by the United Africa Company until the first indigenisation decree of 1972 obliged the company to sell some of its equity to Nigerians. It is now 60 per cent Nigerian owned, with some 8,000 shareholders, while the rest is still owned by UAC. Among UAC's manufacturing and processing industries, A. T. and P. is the oldest.

Started

Operations at Sapele in Bendel state date back to 1935, but the business started as long ago as 1918 when Miller Brothers established a small sawmill at Koko. Originally, the business produced only logs and sawn timber, but over the years the range of products has gradually increased and now includes: plywood, sawn timber, particle board, flush doors, furniture components and prefabricated structures known as A.T. and P. system building.

The A.T. and P. factory is in many ways the focal point for the growing community at Sapele. Being a labour intensive process it employs 3,000 of the local workforce, and along with the new Sapele power station is probably the most obvious, if not the most attractive structure in the area. On a rainy day, it has the perfect tropical setting with the broad Niger River sweeping right to its door and beyond that a wide expanse of impenetrable rain forest.

It is down the Niger that much of the timber for the factory is floated in giant rafts or single trunks until it can be scooped out of the river by the lifting gear. Wood comes down the river from as far away as Onitsha, 150 miles upstream, while other timber is carried by lorry from as far as Ibadan in the west, although that is now being phased out.

Much of the timber used by A.T. and P. still comes from its own logging operations in three areas of rain forest at Nkrowa, Sapoba and Ife/Ondo. There it is possible to extract a lot of Mahogany, Iroko and Obeche wood, as well as 40 other tropical hardwoods. But it is also turning more and more to working agreements for the supply of timber by outsiders, and up to one third of its wood is now delivered under service hire agreements.

But the most striking thing about the business is the extent to which it has reinvested in new equipment. The biggest single investment is the particle board (chipboard) mill, which has just been installed at a cost of N5.3m. The mill can produce 30,000 cubic metres a year but at the moment is working at only one-third of capacity.

The process of bonding hardwood particles with resin adhesives is brand new to Nigeria, and for the time being it it having to overcome some consumer resistance to what is a new product. The particle board mill will mean, though, that A. T. and P. can make a more economic use of its wood shavings.

With its consumption of wood now at 200,000 cubic metres a year (it has been up to 250,000 cubic metres) all the wood shavings have been used to fire the power station. Now that the shavings are being put to better use N1.1m is being spent on modernising the power plant, which now runs 50 per cent on diesel, with wood shavings still accounting for the other half. The intention is to make it 100 per cent diesel fired.

Modernisation

There is also a modernisation programme for the sawmill costing N4.4m and for the plymill costing N2.4m. The modernisation programme for the sawmill should be completed over the next 18 months and requires mechanised equipment supplied by Canmillex, a Vancouver consortium. The next year should also see the commissioning of a plant to apply veneer to particle board and a panel processing line to cut panels and make components for the furniture industry.

A more long-term investment in the future is the continuing research and development programme being carried on by an all-Nigerian team in Sapele in close association with the Unilever timber research unit in Britain. The team has been able to make contributions to treatment of woodworm and fungal decay, while at the same time working on pressure impregnation with preservatives, glue, the manufacture of flush doors and promoting the use of lesser known woods.

The last is probably the most important from Nigeria's point of view, because it has been realised that more must be done to replant and maintain the forests of Nigeria. The coastal belt in the south which was once heavily populated with trees has been badly denuded. Big efforts are now being made to ensure that trees are replaced.

M.W.

High hopes are frustrated

SOKOTAN

INDUSTRIAL DEVELOPMENT in Nigeria, it is generally agreed, should be based so far as possible on local raw materials. In the great livestock areas in the northern states tanning of hides and skins is an ancient craft, and leatherworking is traditional. Foreign companies have entered the trade, but it has long been felt that locally produced leather and leatherwork did not do justice to the raw materials, particularly to the skins of the red goats of Sokoto, which, exported for centuries across the desert, reached the world as Morocco leather.

The decision, therefore, of State government, in 1971, to establish near Sokoto city a modern tannery in partnership with the Gardella group of Genoa seemed sound. Gardella would supply management and expertise and take up some 40 per cent of the equity capital of N800,000, the rest being taken up by the State government and Nigerian institutions and private investors. High quality suede leather would be exported and be supplied to local leather workers or boot and shoe manufacturers. Later a local boot and shoe industry would be based on the tannery.

Today, however, the tannery is working with a skeleton staff of some 60 workers, at something like 10 per cent of capacity, and is dealing only with hides. Its stock of these is nearing exhaustion and there is a prospect that the plant will cease to operate.

The reason is simple. Neither the State government nor any other institution will provide "Sokotan" with funds to buy more hides and skins—of which there is no shortage—until the company appoints a management which can guarantee its viability. Gardella's management agreement has been revoked, and the firm is now simply an investor in the enterprise, not a management partner. While the Nigerian technicians now in charge can manage to operate the plant at its present level of working, there is no general manager, no production engineer and no plant engineer; without these, says the State Ministry of Trade and Industry, no expansion is possible.

Dissatisfied

The enterprise was undercapitalised from the start. Other difficulties said to have been encountered included the training of Nigerian staff and cash flow problems stemming from delayed payments for exports. There were, too, language difficulties. The plant has suffered from the interruptions to power supply experienced all over Nigeria.

Efforts to recruit the general manager and the engineers in Italy have been unsuccessful, perhaps because the ending of the Gardella contract has given the plant an unjustly unfavourable reputation. The salaries offered are generous—N25,000 for the top man and N18,000 for the engineers, with the usual benefits. The search has now moved to Britain. In the meantime that stock of hides is running out.

D.W.

COMMUNICATIONS

Road improvements

The communications infrastructure necessary for sustained industrial growth has been one of the Nigerian Government's prime concerns. Substantial advances have been made, particularly in road building, examined below. The ports programme has done much to relieve shipping congestion at Lagos. Although Nigeria's telephone system is still very poor, telecommunications improvements, described on page XLVII, are making progress. However, Nigerian airports and Nigerian Airways are with justification the targets of constant criticism. Their services, as an article on page XLVII shows, leave a lot to be desired.

WITHIN BARELY three years many of Nigeria's major road links have turned from nightmares into near-dreams for the long distance driver—on condition that he can find the fuel to finish his journey and has the skill and luck to stay alive.

The heavy traffic out of Lagos, the country's main port and capital, can now leave the city by any one of several new routes, cruise up to Ibadan on a recently opened four-lane expressway, avoid that town's notorious congestion by taking a new ring road and reach Ilorin 325 kilometres away in a comfortable four hour drive.

In only 1975 the same trip was a day's journey. When he opened the 110 km Lagos-Ibadan expressway this month Armed Forces Chief of Staff Brigadier Shehu Yar'adua boasted justifiably that 14,000 km of roads had been built or rebuilt or were under construction or reconstruction since the present administration came to power three years ago. Most of this distance was already scheduled for development under the 1975-80 national development plan, although some was carried over from the second plan period.

Commitment

Total expenditure on highways within the plan period is about N2.5bn, while overall commitment on highway projects including design, construction and maintenance, has been set at about N3.8bn.

Established civil engineering companies from several overseas countries have all taken their share of the contracts and on a drive through the federation a European visitor is likely to spot such familiar names as Costain, Taylor Woodrow, Wimpey, Dumez and Fougerolles. If, however, he remains in Lagos, he could be forgiven for thinking that the only foreign contractor was Julius Berger, the West German company which came to Nigeria to build the first new bridge to Lagos Island and has since turned the capital into a helter-skelter of flyovers, overhead ring roads and clover leaves.

Under the current development plan the federal road network has increased to 27,000 km following the taking over of 16,000 km, formerly under state Government supervision. Criteria for selecting these former "Trunk B" roads for upgrading were that they should join two or more of the country's 19 states, be classified as international roads or be easily integrated into the existing federal "Trunk A" network.

Nigeria is the junction for three of the UN Economic Commission for Africa's continental highway projects. These are the Trans-Saharan Highway from Lagos to Mombasa, the Trans-Saharan route from Lagos to Algiers, and the West African Highway coastal route from Lagos to Dakar. The latter, which of the three has the shortest section on Nigerian territory, is the nearest to completion, with just part of the dual two-lane carriageway awaiting completion on the Benin side of the border.

However, apart from these three continental projects Nigeria has been financing border feeder roads in three neighbouring countries, Benin, Cameroon and Niger Republic. The Nigerian Government is paying for a total of 366 km of new road in these countries, wtih the longest single road leading from Kongolam on the northern border of Zinder well inside Niger.

The Lagos to Ibadan expressway is one of the leftovers of the second development plan. Awarded in three contracts in early 1974 to Dumez, Strabag and the ubiquitous Julius Berger, it was originally costed at N81m. By the time it was opened the price had more than doubled to a final figure of about N175m. This was due partly to the sharp increase in operating costs during a period of high inflation but also to the belated discovery that an extensive mass of soft peat soil would require a concrete deck on pile foundations.

A last-minute Government decision has converted the expressway into Nigeria's first toll road, a seemingly wise innovation at a time when the federal purse is emptier than many would like. However, critics have questioned the wisdom of plans to build restaurants half-way along the one-hour route, even though it is scheduled to be extended to Ilorin in wealthier days.

The road system of the Lagos urban area would merit an article to itself. In the mid-1970s only a head of state with a mile-long escort of wailing outriders could hope to move freely through the city, by forcing the static traffic off the road on to the pavement. There were 11 heads of state at the Ecowas summit conference in May, 1975, and for the commuter, life literally came to a stop. Members of the Lagos Master Plan Unit despaired.

And yet, several policies and many millions of Naira later the federal capital has been transformed from the "go-slow" city to a streamlined urban area of flyovers, throughways, car parks and alternate day driving. (The latter scheme was nearly thwarted by every Lagosian driver's attempts to buy second, or in some cases, fourth, cars.)

Many of Lagos's problems stemmed from its multiple role; federal capital, the nation's largest port and, until two years ago, the capital of Lagos state (now moved 20 km inland to the airport town of Ikeja). The cost of getting the city back on the move has been high. Provisional estimates for Lagos road improvement schemes due for completion in 1990 is N2.3bn Lagos would not get onto any list of smooth moving cities, but it deserves marks for trying.

Criticism

There has been some noisy out-of-town criticism of the amount of money being spent in Lagos, but impressive progress has been made recently in many of the state capitals. Ibadan, Ilorin, Kaduna and Kano are some of those with new outer ring roads. And on a cloudless day a passenger on a flight from Lagos to Calabar can clearly see progress being made on highway projects in the eastern part of the country.

For a host of reasons—not least the lack of accommodation and the high cost of living—Nigeria has never joined the African tourist league, and many of the visiting foreign businessmen see little more than the often confusing scenes of Lagos. But anyone with the opportunity to drive along the uncrowded and good roads in the north and centre of the country will pass scenery which can be as dramatically beautiful as some of the tourist safariland of East Africa.

With the improvement in the road network there has been a marked increase in road deaths. The latest statistics, sadly likely to err on the low side, show that almost 2,400 people died on the roads in the first three months of this year, a big jump over the equivalent figures for the previous year and more than half the final toll for the whole of 1973.

During most weeks some newspaper will report a single accident which has cost more than 20 lives, the result of a crash involving an overcrowded bus or passenger lorry. However these too frequent freak accidents hardly indicate the daily carnage on the highways that can be witnessed by anyone making an inter-city journey overland. Where the narrow bridges of the old major roads led many a driver and his vehicle to an early grave, lack of education for use of the new high-speed highways combined with a sudden jump in the number of road users has inevitably brought further tragedy.

With roads accounting for about 70 per cent of the movement of goods and people in this vast and heavily populated country, it seems probable that the accident rate will remain high. But the transport sector has had the largest allocation of funds in all three national development plans so far, and in each case highways have taken the major share. It would do no harm to divert a small sum of money to a nationwide road safety campaign.

By a Correspondent

Congestion eases off

PORTS

SHIPS ARE still riding at anchor in Nigerian waters, waiting to enter Lagos, but decongestion efforts at the country's main seaport are yielding good results.

"The worst days are over." According to Mr. Nath Onyeukwu, chief public relations officer of the Nigerian Ports Authority (NPA). At the peak of the port congestion problem, some two years ago, nearly 500 ships were waiting outside Lagos to discharge cargo. The reason was a Defence Ministry order for 20m tonnes of cement, to be delivered within one year, which did not take into account the limited and unmechanised facilities at Apapa, the Lagos port complex.

To prevent excessive demurrage charges, the Government cancelled some of the cement contracts and imposed stringent measures to free the port of cement shipments. For example, some cement is now offloaded directly from ships anchored in Lagos harbour on to fleets of lorries brought alongside on barges.

A major development was the opening last year of Tin Can Island port, siutated slightly to the west of Apapa. The country's most modern port and the first of its kind in Africa, it was built in the remarkably short time of 15 months.

Following the commissioning of the N200m Tin Can Island, the average turn-round time for ships has been considerably reduced to about three weeks compared with the six months plus at the peak of the congestion problem. Mr. Onyeukwu says there are now 70 discharge points available, while the number of waiting ships stands at about 80. But he adds that this does not mean that the NPA will "rest on its oars." Further projects are in the pipeline.

He may be right about the statistics of available facilities and waiting ships, but shippers still have their worries about the cumulative effects of alleged administrative bottlenecks at the Lagos port complex. They would like to see more liberal attitudes in the issue of entry certificates (a facility which now favours the major conference lines), marked improvements in security arrangements and greater flexibility on customs formalities.

The port authorities argue that reports of alleged piracy on a foreign ship recently were exaggerated. None the less, they are not taking lightly threats of a boycott by international shippers because of security problems and have strengthened port patrols with plain-clothes detectives and armed soldiers.

For their part, shippers are now breathing a collective sigh of relief over the deferral of implementation of the tough Merchant Shipping Decree promulgated earielr this year. This would have banned foreign merchant ships more than 15 years old from using Nigerian ports.

Some shipping sources believed the decree could have affected as much as 60 per cent of the total merchant tonnage using Nigerian ports. Shippers petitioned the Government for abandonment of the decree, arguing that a goodly number of aged ships had their Lloyd's certificate renewed annually and that such a ban would go against normal international shipping practices.

They also pointed out that a majority of ships carrying Nigeria's supplies of petroleum,

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Problems in reviving an ailing system

RAILWAYS

AFTER CHALKING up enormous and embarrassing deficits for 10 years running, the Nigerian Railway Corporation (NRC) is pulling up its socks to stem the misfortune of the ailing industry and make it thrive again. "The railway of the future is on the way," the new administrator of the NRC, Dr. Patrick E. Jakpa, told a recent meeting of transport experts. "Our journey towards that ideal railway will continue to be difficult but it certainly will come."

No one disputes the declining prosperity of the Nigerian Railway, its inability to cope with stiff competition from road transport, its indigence in terms of funds for capital development, and its increasingly huge operating deficits.

Apart from shortage of skilled manpower, the railway is plagued with a myriad of immediate and longer term problems. Among the immediate ones are technical difficulties associated with track-speed limitations, poor telecommunications, inadequate motive power and rolling stock.

The railway has also had to share the adverse effects of low agricultural output following *the boom in the oil industry.* Its volume of export traffic declined from 804,270 tons in 1962-63 to 79,765 in 1974-75.

Later returns are not available but are believed to be even more distressing. There have been no export crops for railment either from northern Nigeria, which once despatched large quantities of groundnuts, or from the neighbouring countries of Niger and Chad.

Some of the ills of the Nigerian Railway are traceable to its modest beginnings. Its original concept was narrow. Colonial pioneers saw it as a mere tool for linking the North and the South administratively and for movement of raw materials (mineral and agricultural products) from the North to the seaports in the South for onward shipment to overseas markets.

Little emphasis was placed on mass movement of passengers. This meant lightweight, narrow-gauge rail, extensive stretches of curved track, steep gradients, and numerous weak bridges.

The first major track was laid 80 years ago between Lagos and Ibadan. The railway reached Jebba in the north in 1909, followed by the Kano-Baro line in 1911. The Lagos/Jebba and Kano/Baro lines were linked at Minna by 1915.

Linked

The construction of the eastern rail line started from the oil-city of Port Harcourt and reached Enugu in 1916. It was later linked up with Kaduna, Makurdi, Kafanchan and the tin-mining town of Jos. Branch lines were laid to Kaura, Idogo, Kuru, Kaganchan, Bauchi, Gombeand Maiduguri.

The existing railway network, spanning 17 of Nigeria's 19 states, covers 3,503 route km and 4,313 track km. Its maximum permissible speed is 64 kph, a limitation caused by technical speed and topographical factors.

The signalling and communication system of the NRC are nothing to write home about. Their regular and annoying failures are being compounded nowadays by large-scale theft of telegraph wires.

But all is not lost and a sure but steady change of fortune is imminent.

The Government is investing heavily in the modernisation of the existing rail facilities. The immediate aim is to retrieve some of the traffic lost to road transport, boost passenger traffic (now estimated at 6m per annum) and strengthen finances by updating low tariffs.

"The persistent downtrend in railway operating and financial performance in the past 15 years has generated complaints and criticisms and this has been a matter of concern to government and, indeed, the corporation itself," Dr. Jakpa says.

A capital investment of N885m was originally earmarked for the rail system under Nigeria's current 1975-80 development plan. N17m was to be used to maintain existing facilities while N714m was to be spent on the first phase of constructing a new standard gauge system.

The change to standard gauge is by far the most important aspect of the modernisation programme. It will allow speeds to be increased from 64 kph to 160 kph, eleminiate steep gradients and excessive curves and generally permit increased reliability, safety and efficiency.

However, since the cost of track development has nearly doubled since the plan was drawn up and since Nigeria's oil revenues have been declining, first phase development work seems certain to spill over into the next plan period. It is believed that a team of Indian experts has been retained to take a second look at the entire standard gauge plans as presently formulated.

Nevertheless, an international consortium, led by Fugerolle of France, is already working on the design of the section between Port Harcourt and Makurdi while another group, Italraco of Italy, has taken on preliminary work on the Oturkpo line, which will link up with the iron and steel plant to be built at Ajaokuta.

Additionally, 55 mainline diesel-electric locomotives and 150 passenger coaches and 20 shunting locomotives have been acquired to meet the narrow-gauge system's immediate critical needs. Priority attention is also being given to maintenance, manpower training, communications and improvement of station and workshop equipment.

Separate

If Administrator Jakpa had his way, he would like to establish the railway's own separate line of communications, sever connections with the Posts and Telegraphs, cut unremunerative passenger services (Minna/Baro, Ifo/Idogo, Kano/Nguru, Zaria/Gasau, Kuru /Maiduguri are a few examples), and fix railway rates and fares at ruling market prices.

He sees his appointment as a turning point in the life of the NRC and he is looking forward to the future of the industry with hope. "I envisage that the 1980s will pose serious challenges to our rail capabilities," he said. "With the location of the new federal capital at Abuja, there will be need for a more strategic network of railways suitable for fast passenger and bulk freight train services to ensure that all parts of the country are linked with the new capital."

By a Correspondent

All aboard the 8.48

THE MAN in the ticket office made it clear from the start: the traveller on the local train from Zaria to Kano could have any class of ticket he liked—as long as it was third. On the other hand there were first- and second-class carriages on the afternoon train, but they had been taken over by the army. To prove his point he forced his head and shoulders through the narrow ticket office window and gestured vigorously in the direction of a line of carriages standing in the station. The 1940s rolling stock was marked "Made in Sheffield" and equally unmistakably in faded gold lettering "third."

Once on board the trick is not so much to find a seat but to *make sure that by the time you* put your backside on it, it has not already been occupied by a stray goat or chicken or even an errant cheese. The interior of the faded cream carriage is alive with colour as animals mix happily with people and the men drape their legs peaceably out of the open glassless windows. It smells like a cheese shop which has been invaded by a wild menagerie. But the overcrowding is relieved by spillover on to the station built under the British and looking remarkably like Wimbledon Central on a sunny day.

Then at 9.34 promptly the 8.48 from Zaria to Kano lurches into life. With wild clangings of bells and blowings of whistles it almost clears the station before coming to rest even more violently than it had started out. For a moment people, parcels and goats blend in a tangled canopy of arms, legs and tails, then good-naturedly recover their seats and carry on their excited chatter.

Slow

Europeans refuse to travel on *the trains in Nigeria because* they are slow, which is true, but also because they are supposed to be uncomfortable, which is not true. The distance between Kano and Zaria is approximately 90 miles down a single-line track and the estimated journey time is five hours with ten stations in between. Yet throughout the journey it is impossible to be bored even if no one but the ticket collector can speak a word of English. A steady procession of salesmen, singers and beggars wander the length of the train all the time, scrambling over the bags of produce which are piled high in the carriages.

Bread, salt, and roast meat salesmen carry the food up and down the train with the trays on their heads, the fingerless hand of a leper is thrust forward for money, and a perfume salesman carries an array of sickly sweet fragrances which he decants into tiny bottles. At the station the trading is frantic, with food and goods being passed back and forth through the windows of the train. Contrary to British Rail's traditions, lavatories can only be used at the station—largely because the lavatory is the station.

Seven hours and 20 minutes and one breakdown later the 8.48 from Zaria to Kano roars into the station at a stately 25 mph and the crowd empties on to the station like a water barrel bursting open. It is not in any travel brochure but on what other train service could you be woken up by a goat nibbling at your jeans?

M.W.

Congestion

CONTINUED FROM PREVIOUS PAGE

gas and allied products were old vessels and shortages of these essential commodities were bound to occur if the Government went ahead.

Nevertheless, shippers were sympathetic to the Government's intention to restrict access to ports to ships in good condition. During the cement crisis there were allegations that some shippers were using vessels nearing the scrapyard to claim substantial demurrage from the authorities. Such vessels also created safety hazards.

In the event the Government announced *that implementation* of the decree had been deferred, but it also stressed that the spirit of the measure had not been abandoned. Presumably this means that it can still take tough action when vessels in poor condition try to enter Nigerian ports.

In retrospect, the cement congestion may in some respects have been a blessing in disguise, considering the authorities' previously lukewarm attitude to upsurge in imports after the civil war. It provoked at least a series of immediate and long-term decongestion efforts, one of which is Tin-Can Island.

Tin-Can Island has 10 berths for general cargo with roll-on/roll-off facilities in two of them, and two "finger" jetties for berthing tugs and speed boats. Other facilities include heavy quayside cranes, five transit sheds served from a 40-metre quay apron, three warehouses (one reserved for the Government), extensive stacking areas, truck terminals and offices.

The ultra-modern port is a self-contained operational unit covering an area of 73 hectares. It is managed independently for 10 years, apart from extensions to the Apapa wharves.

Unhappy

"The lesson from the unhappy episode of previous port congession is the absolute necessity to get Nigeria's sectoral investment priorities right." Brigadier Shehu Yar'Ardua, the country's No. 2 leader, said at the opening of the Tin-Can port last October. "Important infrastructural sectors such as the ports, on which the health of the economy hinges, should never again be relegated to the back seat."

Another measure taken by the Government to redress the imbalance between growing foreign trade and inadequate port infrastructures is the third Apapa wharf extension, which *is due to be completed in a few* months' time. The six-berth extension, partly financed by the World Bank, is being built simultaneously with the development of other Nigerian ports in Port Harcourt, Calabar and the delta areas.

Royal Netherlands Harbourworks is currently building the N82m Calabar port complex with 860-metre hard quays, three transit sheds and two warehouses. The entire channel from the open sea to the port and the quay areas are being dredged to make it possible for ships requiring deeper draught to call there and relieve pressure on Lagos and Port Harcourt.

At Port Harcourt, Nigeria's second biggest, six new berths with a total quay length of 1,000 metres are being built on a new site and at a cost of N110m. Berthing facilities of about 1,366 metres will be provided for lighters and barges.

The German company Julius Berger, which constructed the Tin-Can island port, is already working on the first phase of the N142m Warri port development, comprising six mainline berths, five transit *sheds and* two warehouses. There will also be berthing facilities for lighters and barges. The nearby Ogunu wharf will be further dredged to facilitate movement of goods to and from the multi-million naira iron and steel plant at Ajaokuta. Nine new berths will be constructed at Koko and Sapele at a cost of N118m.

The port development programme in the delta is bound to improve the navigability of the Niger-Benue river systems, Nigeria's principal inland water artery. A Dutch consortium is already dredging the Niger in order to turn it into an all-season waterway while a German group is studying the possibility of river transporta*tion on the* Lower Niger.

By a Correspondent

هكذا من الوصل

Low standard of service

AIR TRAVEL

NIGERIAN AIRPORTS and the national flag carrier Nigeria Airways are jointly and separately among the most regular targets of loud public criticism. More often than not they deserve what they get.

Despite numerous attempts to reorganise booking and check-in procedures, airport management and airline schedules, domestic air travel can be one of the most exhausting experiences in Nigeria. Habitual overbooking, assaults by touts and other unidentifiable people loitering around domestic departure lounges, frequent delays and an abundance of frustrated and short-tempered fellow-passengers can turn the politest person into a trembling fountain of abuse.

Organisation of major airports in Nigeria is theoretically the sole responsibility of the reorganised Nigerian Airports Authority (NAA). In practice the Authority is in disarray, the Board has been dissolved, and the expatriate manager, an aviation expert, has left the country. The NAA's only publicised achievement to date has been to provide a new car park at Lagos' Murtala Muhammed International Airport. Meanwhile the Federal Ministry of Civil Aviation is continuing to manage the country's airports.

Ready

And there is no shortage of good airports in Nigeria. Five of the 16 being developed under the third national plan will be to international standard. The new Lagos International Airport, now expected to be ready for use in the middle of next year, will be able to accept any aircraft flying today. The 3,900-metre main runway should be ready before the end of this year and could be opened earlier, although existing facilities at the old international terminal are already overworked.

The design of the new airport, and many of the others in the States, has been by the Dutch group NACO, while the project is being implemented by NACO's frequent partner Strabag. Feeder roads from a recently built ten-lane highway out of Lagos have been completed.

Other international standard fields are at Kano, Ilorin, Sokoto, Kaduna and Port Harcourt. Kano has long served international traffic from Europe and is also an important staging post for the tens of thousands of Nigerian Moslems who make the annual pilgrimage to Mecca. It has recently become an important air freight terminal and is currently touchdown point for cargo craft airlifting Peugeot automobile parts for assembly at the Kaduna plant.

The newly opened Ilorin Airport, with its 3,000-metre runway, will eventually act as the main diversion for international traffic heading for Lagos. Previously diversions, apart from Kano, were in neighbouring countries west along the coast.

The new Kaduna Airport will be able to handle existing jumbo jets and is expected to become another major airfreight airport, while Port Harcourt is the staging field for Nigeria's oilfields.

Other airports being developed up to Boeing 737 level are at Enugu (reopened last year), Calabar, Ibadan, Yola, Benin and Jos.

Before the Airports Authority can take full control of the outlying locations it will have to recruit a large number of qualified management staff who are not immediately available. Currently senior air traffic control officers are frequently responsible for the smooth running of secondary fields, but air traffic control will remain under the Ministry of Civil Aviation. But before NAA gets to the recruiting stage it will have to sort out its own management problems.

Nigeria Airways is in full expansion and now has one of the most impressive fleets in Africa. However, a recent announcement that domestic fares were to be increased by up to 40 per cent (the announcement said 25 per cent) provided an easy excuse for the collected critics of the airways (slogan: "Skypower") to wonder aloud whether the increase in fares would be matched by an improvement in service.

Earlier this year one of only four passengers flying on one of the newly opened African routes was told more than three hours before touchdown at Lagos that the bar was closed because, the steward said, the customs officials in Nigeria were so fussy that it took a long time to prepare the appropriate documents. The chief purser later offered the same passenger a miniature bottle of whisky from his own locker but asked 30 per cent more than the official airline price. This, he explained, was because the previous week he had found himself out of pocket at the end of an international flight because the exchange rate being used in Lagos was different from the one he had been given in London. Many of the cabin crew have yet to go to smile school.

Flight deck standards are high, although there have been suggestions that in some cases captains are flying too few hours on a new type of aircraft before being converted to a third type. Thus within only 18 months one captain was converted from F28s to 707s and then to DC10s. It has been suggested that this could result in confusion under pressure in the middle type of aircraft.

Maintenance

Since the beginning of 1977 Nigeria Airways has reported seven accidents, ranging from a fatal mid-air collision between a fortunately far-from-full F28 and a Nigerian Air Force training jet in Kano, to a collapsed undercarriage and a brake failure during taxi-ing.

However, local maintenance is considered to be of a high standard. Of its fleet only the Fokker Friendships (five plus two loaned from the Air Force) are given all servicing in Lagos. The jets all go abroad for their major services, although the F28s receive intermediate servicing in Nigeria.

At the end of last year personality problems in the engineering section led to a strike, calls for the resignation of the engineering manager and the appointment of a board of enquiry. The manager is still there, the strike is over and the departmental problems have been settled in the most expensive way by handing out maintenance contracts to foreign airlines. Thus KLM is responsible for the Lagos turnrounds of Nigeria Airways' DC10s, while British Caledonian looks after the 707s. This enables some foreign airlines to have additional engineers available to service their own aircraft at Nigerian expense.

The flag carrier's fleet currently stands at two DC10s, three 707s, three 727s, three 737s and six F28s.

Most European international carriers fly scheduled routes to Nigeria, all taking their share of what is possibly one of the most lucrative routes open today. With proportionally high fares and capacity bookings the airlines rarely fall below break even point at any time of the year.

Profits

In the case of Nigeria Airways profits from the European runs are being used to open up new international routes which are slow starters.

The use of light aircraft has increased considerably over the past few years, keeping in step with the general economic expansion. Many of the larger local companies have started building up their own mini-fleets to avoid the inconveniences of the scheduled domestic routes.

But the main users of charter and light aircraft are necessarily the oil companies. PanAfrican, Aero Contractors and Bristow are three of the main companies servicing the oilfields, and the lanes from Lagos to Port Harcourt and Warri carry the heaviest traffic of all.

By a Correspondent

A long way to go

TELECOMMUNICATIONS

NIGERIA'S telephone density, currently one of the lowest in the world, should reach world average growth rate by the mid-1980s according to federal Ministry of Communications projections.

The ministry, long the poor cousin among the country's quasi-commercial organisations, has used the third national development programme to introduce short- and long-term plans designed to solve Nigeria's chronic communications problems. A crash training programme to turn out 14,000 new staff, many of them engineers and technicians, by 1980, the arrival of several hundred foreign engineers, the expansion of the domestic satellite system and a development budget of over N1bn have already produced a noticeable improvement in both domestic and international communications.

The service has not yet reached the stage where subscribers can hope to live without interruptions, and in parts of the country telephone lines have been dead for several months—in some cases years—but an interim rehabilitation programme in the federal and state capitals has already produced some impressive changes.

The ministry has blamed its traditional afflictions on four major sources. These were the disruption caused by widespread civil engineering projects, lack of adequate trained staff, ageing equipment and poor drainage for cable installations.

It is certainly true that some contractors found it more convenient to pay compensation to the Post Office for breaking cables than to fall behind their schedules and that overhead lines have regularly been the first target of careless drivers. But most of the major urban construction projects ordered under the current plan have been completed and newly-laid cables should prove hardier than their predecessors.

Ministry statistics put the telephone density at the end of last year at about 0.6 per thousand, at the bottom end of the world scales, with a total of about 55,000 lines, many of them faulty. This was already a considerable increase on the 18,000 lines available at the time of Independence in 1960, but most of the exchange equipment dated back to the early 1950s and was badly in need of replacement. Under the current three-phase expansion programme the number of lines is due to increase progressively to 750,000 by 1980. On a longer term basis the Ministry projects a capacity of 2.5m lines by 1985.

The plans call for the installation of 45 new exchanges and 33 mobile exchanges with modern cross-bar switches, rehabilitation of existing cable networks and the expansion of a terrestrial microwave system to provide new trunk channels between the exchange centres.

Telex was introduced to Nigeria in 1960, with a manual exchange handling 60 subscribers. A nationwide Telex service was introduced late in 1974 with the construction of exchanges in the then 12 state capitals. Today work is under way to extend the network to nearly 5,000 subscribers, with the development plan calling for a total of 40,000 lines by the end of 1980.

Parallel to the Telex system is the national Gentex network introduced by the Post Office to replace the former torn tape system for telegram transmission.

Nigerian External Telecommunications, the Government corporation which bought up the remaining shares held by Cable and Wireless in its former Nigerian operations in 1972, holds a monopoly on international communications and currently provides telephone, Telex, leased circuit, facsimile and television transmission facilities.

At the beginning of this year NET's existing equipment enabled it to handle 115 simultaneous telephone connections and 80 trunk Telex connections.

The corporation is now setting up an international telephone switching centre, due for completion next year, which will be able to handle 540 simultaneous calls, while a computerised 1,500-line trunk Telex exchange is due to come into service in 1980.

To accommodate part of the increase in circuits the microwave link between NET headquarters and the Lanlate satellite earth station in Oyo state is being increased from 300 to 600 channels. The Lanlate station is Nigeria's original terminal for the Intelsat network, and extensions are planned both at this site and at Kaduna.

Meanwhile Nigeria is establishing the largest domestic satellite network in Africa, with a total of 19 communications stations, one per state. These are already carrying television transmissions between the different states as well as normal post office and Government traffic.

The Ministry of Communications has estimated that because of delays caused by import snags, installation of electronic equipment and construction problems, it normally takes about four years to set up a regional communications system, although it has appealed to the different contractors to accelerate their work. However, it has encountered other problems well known to businessmen operating in Nigeria, such as delays in obtaining central bank approval for letters of credit.

There have also been complaints that the central bank has been slow in releasing funds authorised by the Ministry of Finance, which provides the loans for all Post Office capital projects.

All contracts handed out by the ministry for the current development programme included a clause for a 12 month maintenance period accepted by the contractor. However, because of the continuing shortage of qualified Nigerian staff the maintenance period is being generally extended to cover a number of years, with gradual replacement of the expatriate staff by the newly-trained Nigerian technicians.

By a Correspondent

The 110km Lagos-Ibadan expressway has recently been opened. Designed by Scott Wilson Kirkpatrick and Partners, it was constructed by French and German contractors.

British contractors losing ground

CONSTRUCTION

WITH THE cutback in oil production and the easing of prices Nigeria has entered a difficult period of financial stringency with the prospect of several lean years ahead for the construction industry.

In last April's Budget the federal Government and most of the States were forced to reduce their expenditure targets for the current financial year. Capital expenditure has been restricted for the most part to financing on-going projects and few major new contracts seem likely to be signed in the next 12 months.

Competition for the few projects that will get the go-ahead is expected to be intense, not only among the large number of overseas contracting companies that entered the Nigerian market during the boom years but also from indigenous contractors.

Nigeria's foreign exchange difficulties also mean that far from expecting cash payments when a new job is accepted, contractors are being asked to come up with schemes for financing the work as well as carrying it out. Contractor-financing could work to the advantage of continental European contractors against their British rivals. They are more used to such arrangements and their banks and Governments generally give much more support to the overseas construction industry than is the case in Britain.

As things are, British construction companies, which dominated the Nigerian construction market 20 years ago, have lost much ground to their European competitors, notably to West German companies such as Julius Berger. This group has won a high reputation in Nigeria for speed of execution and high standards, and done much to bolster West Germany's image of industrial efficiency.

Under Nigeria's 1977 Enterprises Promotion Decree, all construction companies incorporated locally must by the end of this year bring the proportion of their equity held by Nigerians up to 60 per cent.

Among the British-owned companies, one which has recently put the required proportion of its equity on offer is Costain (West Africa), established as a public company in Nigeria for over four years and with an operational history going back 30 years.

Financial information disclosed by Costain in connection with this offer shows that the group's affairs are healthy. Pre-tax profit for the current year is forecast at N4.3m, but taxation will be heavy at a forecast N2.63m. After dividends Costain expects to retain about N1.4m in the business.

These figures illustrate one fact about company operations in Nigeria—that taxation is rising. Costain's forecast after-tax profit on this year's operations is some N300,000 lower than last year, despite the higher gross profit. This is due in part to the decision of the Federal Government to raise company taxation from 45 to 50 per cent.

Now, it is understood that the tax squeeze on foreign companies is being tightened as the government searches for revenue to replace the shortfall from diminishing oil sales. The government looks likely to insist that construction companies pay taxation of at least 2½ per cent of their turnover.

Under these conditions of rising taxation and shrinking opportunities, British contractors are not on the whole making a great deal of progress in Nigeria. Wimpey has been the most successful recently, having won a £22m contract last November to build a military base in Kwara State and a £13m job for armed forces' accommodation at the Ikeja air base.

Bovis Construction International obtained its first major commission with the £5m road award to its Nigerian associate Bovis Caleb Johnson, given earlier this year by the Oyo State Ministry of Works and Housing. The same department has also awarded Tilbury Construction a £6m extension of its current £20m contract to build part of the Ibadan ring road.

Meanwhile A. Monk and Co. has written off nearly £4m due to the parent company from its Nigerian subsidiary Petra-Monk. This is in view of the long delay expected over the final settlement for the Ikorodu Road and Airport Road, Ikeja.

Reduction

Because of the drastic reduction in Government work, Monk's workload is presently confined to commercial concerns. The company had a bad experience with its Lagos motorway contract which the chairman has admitted was much too big a job to take on for a first contract in Nigeria. Its site management ran into all sorts of unexpected problems which seriously disrupted the construction programme.

In rather different circumstances, Tarmac has also sustained heavy losses in Nigeria, the scale of which has recently been made clear to shareholders by Robin Martin, the Tarmac chairman. Provision for losses in Nigeria has been raised to £16m—a big increase over the initial forecast of £12m. The extra cash is due to allowances for future losses as Cubitts (Nigeria) runs down its operations.

How did Tarmac run into such misfortune? This construction group took over Cubitts (Nigeria) in a deal with Drake and Scull. Losses had been expected on Cubitts Maiduguri airport contract in northern Nigeria, where cost inflation overtook the sites in question in the tender, but not on the scale disclosed by Mr. Martin in his statement last September.

Big losses were also incurred at Yola, where Cubitts was building a teachers' training college. This was a more complex situation. It is alleged that the education authorities were not prepared to pay the actual cost of providing this accommodation, despite the fact that rates had been agreed. The gap between the client's figures and the contractors' ran into several millions of pounds.

With the dearth of public works contracts, Costain (West Africa) has successfully sought work in the private industrial sector and is, for example, doing major civil engineering jobs for a cement plant and a pulp mill. But in common with other major construction groups, Costain foresees a shrinkage of tendering opportunities in the immediate future.

Wimpey's Nigerian operation is sustained by the support of its powerful parent company—as is also the case with Taylor Woodrow. Both companies have derived useful turnover from the Nigerian construction market, but with increasing competition this is becoming less profitable.

In the light of Nigeria's search for more external project financing, the recent visit to Lagos by Chancellor Schmidt of West Germany is significant. He gave assurances that his country would assist mutually beneficial projects through appropriate financial arrangements.

This means West German backing for the big new steel plant near Warri, planned to produce 1m tonnes of finished steel by 1981. Construction of a new port at Warri has commenced under Julius Berger, which has won contracts running into hundreds of millions of naira in Lagos State.

It was notable that in his budget speech the Head of State, General Obasanjo, picked out the construction of Tin-Can Island, a new port at Lagos, as bold in conception and executed in record time. This too was built by Julius Berger.

How is it that German groups like Berger take on such vast projects and win the plaudits of the Government, whereas the British are losing ground and reporting losses? It stems in part from a totally different approach to construction business. The British contractor has to be very self-reliant when it comes to financing, so the tendency among British companies is to spread their interests and not be too heavily dependent on one market. Such commercial prudence is generally commended by their financial advisers in the City of London.

Groups such as Julius Berger, which is heavily committed in Nigeria, seem to have few such inhibitions. A significant proportion of the parent company's shareholding is with one of the German banks, which are not only encouraged by the Bonn Government to back overseas ventures but can also more easily meet the demand for contractor financing.

There does not seem to be any comparable initiative on the part of the UK Government. While British contractors struggle to remain on an even keel and maintain a presence in Nigeria, their West German competitors are walking away with the main prizes.

J.A.

BOOK LIST

WHAT SHOULD a first time visitor to Nigeria read to gain a broad, rapid picture of the country?

As befits one of Africa's most complex and fascinating nations, there exists a plethora of reading material on Nigeria. Space will allow only a few titles to be mentioned here.

The rapidly changing nature of Nigerian politics and the economy means that it has often been hard to gain up-to-date information in book form. On the political side, this gap has been admirably filled this year by the publication of **Soldiers and Oil**, edited by Keith Panter-Brick and published by Frank Cass at £11. This presents a thoughtful study of the multitude of changes wrought in Nigerian life by military rule.

For an understanding of the civil war, the starting point must be **The Nigerian Civil War**, by John de St. Jorre, published by Hodder and Stoughton in 1972.

The International Politics of the Nigerian Civil War, by John Stremlau (Princeton) is also essential reading.

The Story of Nigeria by Michael Crowder (Faber and Faber), first published in 1962, was revised and republished this year and is invaluable as general historical background.

For the feel of Nigeria, go to some of the country's talented novelists. These include Chinua Achebe (**A Man of the People**, and **No Longer at Ease**) Cyprian Ekwensi (**Burning Grass**), Wole Soyinka (**The Interpreters** and more recently, **The Man died**) and Elechi Amadi, who like Soyinka, albeit from a different vantage point, has written of his experiences during the war.

There is very little up-to-date information in book form on the economy and not nearly enough from the Government itself. Starting point for economic statistics must be the Central Bank's monthly report, its economic and financial review and its annual report. Names and titles of federal Government officials are contained in the official **Office Directory**. Go to the federal Government printers for this and for similar official publications. There are also Government printers in each of the states.

Desai's unruly team

By K. K. SHARMA, New Delhi Correspondent

SCEPTICS gave the Janata Party Government six months when the newly-formed political organisation swept Mrs. Indira Gandhi out of power in India in March, 1977. The party, formed in haste by the merger of five disparate groups, has governed for nearly three times as long, but the sceptics remained unconvinced.

For the 18 months or so during which Mr. Morarji Desai's Government has functioned, it has not provided leadership of the kind it promised during the euphoria of the immediate post-emergency days. The five parties that formed the Janata combined merely to throw the Congress out; they succeeded in doing so, but it is now clear that the merger was never effective and the party is in serious danger of breaking up.

The 18 months have demonstrated the near impossiblity of ruling a large and diverse country like India by what is essentially a coalition Government. It is true that for the 30 years the Congress was in power, the ruling party was also a widely-based organisation consisting of as many factions as the Janata. The difference was that for nearly two decades it had at its head Jawaharlal Nehru and for the next decade his daughter. Both were dominant, often domineering, individuals who personally controlled their party and could sway it for their own purposes.

Unfortunately for Mr. Desai, he lacks the charisma and popular appeal of his predecessors. Running what is effectively a coalition on the pattern of past Congress Governments has not been a successful experiment. Mr. Desai is as haughty and dictatorial as Mrs. Gandhi and her father, and there are several examples—like his snap decisions on nuclear explosions and the hurried introduction of prohibition — where he has imposed his whims. What he has failed to do is to strike a balance between the need for a consensus on policies so that they are acceptable to Janata's constituents and the need for the decisive leadership that a Prime Minister of a country such as India must provide.

Mr. Desai has attempted both —the first at the start, and, more recently and disastrously, the latter. The result is that he has increased his personal unpopularity and endangered the infant Janata. More seriously, by ignoring the powerful regional forces at work in the country, he has encouraged centrifugal tendencies and upset the delicate relationship between the Central and State Governments built up with considerable difficulty over the past 30 years.

Mr. Desai realised early enough that his main problem was keeping the five groups in the Janata together. He has a heterogeneous flock to mind—ranging from the vague "Gandhian socialism" of Mr. Charan Singh's Bharatiya Lok Dal (BLD), to the introverted nationalism of the Jana Sangh, and the often rabid caste pressures of various elements of the Congress, all of whom joined hands. After they got rid of Mrs. Gandhi they found they had nothing in common left. It is no secret that each has its sights set on longer-range targets. In the jostling for position and power that is continuing, the Janata has dissipated most of the hopes and the goodwill which it enjoyed 18 months ago. Mr. Desai has survived not because he is the undisputed leader—many in the Janata are frankly fed up with him—but because the fight for succession that would follow if he went would surely crack up the party.

In trying to keep the Government intact, Mr. Desai often gives the impression that he is acting as arbitrator rather than leader. Senior Janata Party officials face the same problem. The party president, Mr. Chandra Shekhar, heads an organisation of feuding groups divided either by personality factors or by each trying to gain as much leverage as it can. When Mr. Desai finally realised that he must act decisively, he brought the party to the brink of a split and plunged it into a crisis from which it has not yet emerged.

It happened when Mr. Desai clashed with Mr. Charan Singh, his Home Minister until two months ago. The showdown precipitated by Mr. Desai led to the resignation of Mr. Charan Singh. The argument was ostensibly over the violation of the principle of the collective responsibility of the Cabinet—when Mr. Charan Singh made a surprise attack on the Government for its failure to act against Mrs. Gandhi — but it brought into sharp focus Mr. Desai's difficulties. What he was trying to do was to act as a Prime Minister in a modern Parliamentary system borrowed from Westminster, rather than as the co-ordinator he had been.

The resultant crisis is complicated by personal factors and side issues, notably charges of corruption against the relatives both of Mr. Desai and of Mr. Charan Singh. These could, as side issues sometimes do, determine Mr. Desai's future and that of the Janata. Mr. Desai has adopted his usual rigid posture by resisting demands for an inquiry into allegations against his controversial son, Mr. Kanti Desai.

The fundamental question is how far India can or should be ruled through the slow process of reaching a consensus among a coalition's constituents, rather than by a strong, decisive Government to which factions should subordinate their sectional interests. Two examples of the kind of difficulties and situations that emerge concern the role of Mrs. Gandhi and the growth of regional forces in the country.

Mrs. Gandhi's re-emergence on the Indian political scene must be among the most remarkable phenomena of recent times. From being a defeated and discredited Prime Minister, she has become the acknowledged leader of the opposition and now poses a serious threat to the Government even if all that she has done is to exploit its dithering. Mrs. Gandhi may or may not be tamed, but the ease with which she has recently set the pace of Indian politics underscores the dilemma of the Government.

She faces a number of criminal and other charges arising out of findings of commissions of inquiry appointed to examine allegations of abuse of power during her emergency rule. Her strategy is to politicise the charges by claiming that they have been concocted to malign her—something she has so far been able to do, thus shrewdly outmanoeuvring her political rivals in the Janata.

The Janata Government and Mr. Desai were catapulted to power on the promise of restoring civil liberties, and they could hardly emulate Mrs. Gandhi's dictatorial methods. Yet this has meant opting for the slow method of finding a consensus and, it seems, an acceptance of the inevitability of drift instead of firm government. A few ministers often act on their own—sometimes successfully, as in the case of Mr. George Fernandes, Minister for Industry—or take it on themselves to air differing views in public, causing confusion.

Developments in the states have been overlooked amid the confusion of recent political events at the centre. The Janata Party often ignores the fact that it is itself a regional party with its (fast eroding) power base still confined to the northern Hindi-speaking belt. At present, the country's 22 states are ruled by at least six parties. Only the Janata and Mrs. Gandhi's Congress faction hold power in more states than one, the disintegrating official Congress is nowhere in power. States like Kashmir, Punjab, West Bengal and Tamilnadu are ruled by strictly local political parties which have no real commitment to keep the Indian Union intact.

In such a situation, what is needed is some kind of rapprochement so that the states do not get derailed from the national mainstream. Mr. Desai has studiously avoided doing this. To demands for a dialogue with the Chief Ministers, the Prime Minister recently said that he did not accept the need for a conference on centre-state relations since it would create more problems than it solved. This could be true, but Mr. Desai cannot turn a blind eye to the fact that India has a federal set-up and that its constituent states—like the constituent units of the Janata Party—are going separate ways. The states did not endorse Mr. Desai's Five Year Plan draft when it was presented to them, and the major reason was that he had neglected to consult them when it was prepared.

There are now emotional issues, like language, that are being aired by the states. Recently, the country's five southern Chief Ministers met among themselves and raised what they consider important questions (of which language was just one). That Chief Ministers should meet on a regional basis, rather than national as they have in the past, is an ominous development that no central government can afford to ignore.

Judging from the performance of the past 18 months, the Janata Government has not come to terms either with its own internal factions or the wider problems of the country. Certainly it has not yet provided an answer for the country's diverse needs and problems. It has not thrown up a leader who has sufficient personality to push through necessary, if unpopular, policies (Family planning, for instance, has still to be revived from the shattering blow given to it by Mr. Sanjay Gandhi.) Nor does the Janata seem to be able to check — either by cajoling, as Mr. Nehru used to do, or bullying, as his daughter did—the forces that could fragment the country.

The continuing political crises have distracted attention from India's perennial problem of the appalling poverty of the majority of the population. The Government is letting a unique opportunity to tackle this slip by. Foreign exchange reserves (currently around $8bn) and food grain stocks of about 20m tonnes could be used effectively to promote much needed economic growth. That is apparent to all. Yet the Government does not appear to know how to make use of the abundance of real resources, largely because of a lack of political will and guidance on implementing what so far are just broad policy statements on industrial and agricultural development.

Morarji Desai, chosen PM by consensus at a Janata meeting in March, 1977. He belonged to the Congress until released from jail by Mrs. Gandhi just before last year's general election.

Jagjivan Ram, the Harijan (untouchable) Defence Minister, lost the race for the Prime Ministership to Desai. His defection from the Congress dealt a mortal blow to Mrs. Gandhi.

Atal Behari Vajpayee, Foreign Minister, was President of the Jana Sangh, a Hindu nationalist party with its base among the traders and middle class of urban northern India.

Charan Singh, who recently quit as Home Minister, is founder of the Bharatiya Lok Dal (BLD) which has its roots among farmers of the key northern Hindi-speaking belt.

George Fernandes, Minister for Industry, was a militant trade unionist and chairman of India's Socialist Party until its merger with the Janata.

Chandra Shekhar, a fierce opponent of Mrs. Gandhi, belonged to the group of "Young Turks" in the Congress until jailed in 1975. He is now President of the Janata Party.

Letters to the Editor

Pay and productivity

From Mr. D. J. Hallam.

Sir,—I find it difficult to understand why an average increase in earnings of some 14-15 per cent during the Phase Three pay policy meets with so much implied criticism.

The introduction of self-financing productivity schemes were permitted under the 10 per cent policy as they are under the current 5 per cent policy. Indeed, such schemes were actively encouraged as being a major contribution to the reduction of inflation and increase in growth.

On the assumption that the majority received the 10 per cent without having to increase their productivity at all, the 4 or 5 per cent which can be attributed to productivity schemes appears to be surprisingly low. One would have thought that the higher the increase in average earnings the better, provided all above the policy norm came from more output at the same or reduced costs.

Incidentally, if there are yearly pay policies in the future, each permitting self-financing productivity schemes, pressure will be exerted on employers to introduce additional new schemes each year; in which case, pay structures will become very complicated indeed.

Another factor which contributed to the 10 per cent guidelines being exceeded and which appears to have been forgotten is that in April, 1978, the Engineering Employers' Federation and the Confederation of Engineering Unions reached an agreement which established enhanced National Minimum Earnings Levels and additional holiday pay for federated firms in the industry. The Government allowed this agreement to be implemented; thus a considerable number of employees in that industry received what amounted to two increases in the 12-month period, the second, in most cases, being in addition to the 10 per cent norm.

D. J. Hallam.
Redbrook Lodge,
15, Redbrook Road,
Redbrook, Barnsley.

Pouring money into cars

From Mr. F. Williams.

Sir,—Now that the critics of the original Chrysler "rescue deal" have sadly been proved absolutely correct, and further massive losses of public money must be expected, to which must be added other enormous losses to nationalised industries, etc., surely it is time to put a stop to any Government being able to spend public funds for largely political reasons, to elite types of industry, mainly selected for their industrial "muscle" and political influence.

A recent review puts the total investment of public funds in the motor-car industry alone since 1974 at £1.4bn.

There are far too many people in this country who think that "they" produce the money and do not realise that Parliament can do nothing but spend it and that these funds belong to each and every one of us.

If it was brought home to the general public that every household in this country has contributed, whether they like it or not, something approaching £100 each to keep the ailing and totally inefficient motor-car industry with its overstaffed and strike happy workforce in employment, and that these contributions, collected even from old age pensioners by purchase tax and other taxation, is handed out directly to the benefit of these people from many of us who are earning very considerably less, for, in many cases, much higher skills and conscientious work.

The solution would appear to be a highly paid and highly skilled professional top executive Board, divorced from direct control by the Government, which would make the decisions upon nationally agreed policies, by referendum if necessary, and subject always to faithful and efficient effort.

Obviously, there will always be a case for public funds to be invested, and if this was controlled in a professional and effective manner, this £1.4bn at present wasted in the motor-car industry would on the other side of the coin produce a profit normally approaching about £100m per annum which would then accumulatively reduce the penal levels of taxation and restore national pride and international confidence.

F. R. Williams.
White Ladies,
Old Woking Road,
Woking, Surrey.

Tax and the self-employed

From Mr. R. T. Smith

Sir,—Mr. David Freud, in his report on the front page of the Financial Times of August 24, writes "Many self-employed individuals pay tax up to 18 months in arrears." This is not correct as any Inland revenue officer or accountant will know. There is a misunderstanding of the difference between profits and assessments.

Self-employed traders and those engaged in the professions pay income tax on their assessments in two half yearly instalments, one on January 1 in the tax year and the other on July 1 following and subject to penal interest charges at 9 per cent per annum, without tax relief, if late payment is made. It is not all one way in favour of the taxpayers, as they are just as likely to have to pay income tax on assessments that are larger than the actual profits in the tax year than the reverse.

Mention should be made of the fact that all taxpayers, for example, have to pay their tax on income from property on January 1 in the year of assessment, by which date they may well have only had half the rents due in the tax year.

The many changes in the taxation legislation are proving a great burden on the Inland Revenue and the accountancy profession, and many of the complications rub off on to the self-employed, who, additionally, carry considerable burdens in operating PAYE, VAT, National Insurance, etc.

R. T. Smith.
Harold Smith and Son.
3, Clwyd Street, Rhyl.

PROs in industry

From Mr. M. Noble

Sir,—I rather liked John Mattison's statement (August 25) that too few media people appreciate that PROs working in industry are often trying to persuade senior executives to be more open. The corollary of that remark would seem to be that Press officers were appointed as suppress officers in the first instance. As one at the receiving end of PROs attentions, I feel the sad fact is that there are too few really good, proficient people in industrial relations and fewer still who have the first idea about TV requirements.

My morning chore is to wade through a stack of handout material, 90 per cent of which goes straight into the bin and I sometimes wonder if industry appreciates how much money it fritters away on postage alone. Similarly so-called PR consultants dish out wads of photographs which, because of incorrect size and aspect ratio, are useless for TV purposes in the first instance. Then again, everything has to be read because there are inevitably fluttering butterflies who put the real news story in the final paragraph.

Of course there are some excellent PR people for whom we media people have the highest regard. But the fact remains that generally the media has to take the initiative because but a handful of PROs appreciate a visual story when they see one.

Might I just add that I hope my critical arrows find their target because life for media people could be far easier if there were better industrial PROs, and ultimately the leaders of industry must take responsibility for their appointment.

M. Noble.
[illegible] House, Brockholes,
Huddersfield, West Yorkshire.

Telex messages

From Mr. R. Beardwood

Sir,—You report (August 18) that the Post Office is being forced to curb the forwarding from Britain of telex messages originating in countries with higher telex costs. The countries bringing this pressure should plump for the alternative: reducing their telex charges so that they are competitive with Britain's.

In effect, those countries' telecommunications authorities—not named in your report—are trying to create an international cartel: and if they include countries within the EEC, that is clearly contrary to provisions of the Treaty of Rome and to European Commission policies.

The telecommunications authorities may argue, of course, that British telex charges are lower, in part, because the pound is low against other currencies. If they do so argue, they are opening more cans of worms than they can shake a stick at, since an identical argument could be used by exporters in countries with strong currencies.

The Post Office should resist this pressure; the result might be cheaper and better telecommunications in the country in which I live.

Roger Beardwood.
Villa Harretchia, Arcangues,
F-64200 Biarritz, France.

Bid for Lyons

From Mr. Robert Aries.

Sir,—It is hard to see what the fuss is all about over the bid by Allied Breweries for Lyons. There are always some who object to mergers. The pension funds obviously cannot grasp yet the significance of this mere 12 per cent dilution which will double the Allied potential for diversification, growth and future profits.

I do not see the use of any large advertisements before all the full facts of the bid are known. One can only agree with Mr. K. S. Showering that the present financial weakness is a unique opportunity to obtain a celebrated company on favourable terms. For the improvement of a technical and product range, Allied is paying one-third to one-half of what Lyons would have been worth just a few years ago. With Allied shouldering the bill at no cost to Allied stockholders, it should be worth plenty in a few years. The acquisition is, in my opinion, not a change in direction and the comparison of a butcher acquiring a greengrocer is medieval.

It is rather surprising that Mr. Showering does not say that Lyons research can be of help to Allied. Last June, Lyons introduced without fanfare a Lyons Maid frozen dessert without any stabilisers or emulsifiers and with only dairy protein. This expertise can be applied to supermarkets, grocery stores, health and frozen foods in order to respond better to consumer attitudes. It may not be indicated on any balance sheet.

It is not quite clear why there is a malaise on the part of certain people concerning the Allied/Lyons merger. It looks better than average taken against the recent mergers among the 250 giants in the world food and beverage industries, which have been surveyed recently. The advantages, which Mr. Showering implies, in creating a strong British owned food multinational are additional gains.

Robert Aries,
Emile Aries S.A.,
1, Avenue Marc Monnier,
1206 Geneve.

Transport policy

From the Secretary-Treasurer, The British Transport Officers' Guild.

Sir,—Two items in the August 18 issue, the Humber Bridge problems and seeking a future for Concorde, illustrate yet again the price the country pays where the political element has been allowed to carry too much weight in matters of transport strategy. The comments of the public Accounts Committee on the Humber Bridge although relevant, are too late to have any real effect.

We have argued that there is a need for transport policy matters to be given more serious consideration. A body is needed where optimum solutions could be clearly identified which would be most effective in financial terms, and equally important, in environmental and land use terms—in a country the size of the UK the latter point is becoming increasingly significant.

At the time of the Government consultative paper and White Paper on transport policy the idea of a National Economic Development Committee on Transport was mooted. While there must always be some reservations regarding the effectiveness of these committees, the importance of this subject and the various vested interests and prejudices that exist make the creation of such a body increasingly overdue.

J. C. Rogers.
Room 307,
West Side Offices,
Kings Cross Station, N1.

Killer instincts

From Mrs. J. V. R. Morgan

Sir,—I cannot in all honesty claim to be a lover of cats but nevertheless it was with absolute horror that I read Robin Lane Fox's article "Bringing out the killer instincts" (August 16), and in particular the paragraph in which he states "it would poison any cat in your orchard."

The effect of this obnoxious stuff in the short term will surely be disastrous to wild life. As for the long term effect I shudder to think.

The production of all herbicides should be strictly controlled by the Government none more so than this one, in fact I consider it should be removed from the market immediately and destroyed.

J. V. R. Morgan.
29, Oaklands,
South Godstone,
Surrey.

Today's Events

GENERAL

Decision expected by National and Local Government Officers' Association on employers' request for end to industrial action by social workers and a resumption of pay negotiations nationally.

Meeting of International Metalworkers' Federation in Geneva to discuss Peugeot-Citroen proposed take-over of Chrysler's European operations.

National Union of Mineworkers' executive meets, Euston Road, London.

Mrs. Margaret Thatcher, Conservative Party Leader, at Berwick and East Lothian party workers' reception, Maitlandfield Hotel, Haddington.

Public inquiry resumes on fourth terminal at Heathrow, County Hall, S.E.1—first witnesses Mr. Hugh Jenkins, Labour MP, Putney, and Mr. Toby Jessell, Conservative MP, Twickenham.

Chairman Hua Kuo Feng, Chinese head of state, meets Mr. Jaafar Sharif-Emami, the new Prime Minister of Iran, at Tehran.

Delegation of South Korean shipowners and shipbuilders in UK for talks with British shipping and manufacturing interests.

Second day of seminar of European Liberals at Berwick-on-Tweed in discussions on coalition government.

French air traffic controllers work-to-rule continues.

Mr. Raymond Vouel, EEC Commissioner for Competition, in second day of talks in Zambia.

Second day of International Olympic Committee meeting on Los Angeles bid for 1984 Olympics, Lausanne.

Japanese trade mission arrives in Peking.

Financial Times two-day World Aerospace Conference opens, Royal Lancaster Hotel, W.C.2.

COMPANY RESULTS

Final dividends: Centrovincial Estates. Gripperods Holdings. Stoddard Holdings. Interim dividends: Grovebell Group. Nu-Swift Industries. Pearl Assurance. H. and J. Quick Group. Slough Estates. Thurgar Bardex. Weir Group. Interim figures only: BOC International. Johnson Matthey. Lonrho.

COMPANY MEETINGS

Great Portland Estates, 68, Regent Street, W., 12. Johnson-Richards (H. and R.) Tiles, Federation House, Stoke-on-Trent, 12.30. Shaw Carpets, Post House, Ossett, near Wakefield, 12. Wallis Fashion, Connaught Rooms, W.C., 12.

SPORT

Golf: British Seniors' Championship (Amateur), Formby. Basketball: Commonwealth Championships, Sunderland. General: Women's World Modern Pentathlon Championships, London. Racing: Bath, Catterick; Devon.

LUNCH-TIME MUSIC

Metropolitan Police Band, Finsbury Circus Gardens, noon-2 pm. Recital—Stephen-Paul Sanchez (baritone), St. Olave, 1.05 pm.

COMPANY NEWS

Britannia Arrow cuts losses back to £38,000 midway

A SHARP reduction in pre-tax losses is reported by Britannia Arrow Holdings—the former Slater Walker Securities—for the first six months of 1978. The deficit is cut from £2.94m to £38,000, and after tax, minorities and extraordinary items, there is a profit balance of £219,000 against a £1.8m. loss.

In view of a further anticipated improvement in the group's position, the directors expect to be able to pay up the arrears and to resume payment of preference dividends on November 30. No ordinary dividends are proposed at present.

For 1977, losses were £3.72m compared with £5.2m and £8.25m in the two previous years.

The most significant factor contributing to the improvement in the group's position was the substantially lower amount of interest payable by the property division following the disposal of a large proportion of the portfolio. In addition, the trading experience of the investment division has been more favourable than anticipated.

Since December 31, 1977, considerable progress has been made in reducing the high level of overseas borrowings. Redemptions and repurchases have reduced the group's overseas borrowings from £29m to some £12m currently.

The effect of these transactions has been to eliminate the interest shortfall and the residual currency exposure, the directors say.

	Six months 1978 £000	1977 £000
Investment management	939	872
Investment dealing	—	238
Investment income	105	405
Property division loss	43	3,467
Overhead expenses*	1,059	1,047
Loss before tax	38	2,939
Tax	34	41
Net loss	72	2,980
Profit investments sales	627	848
Exchange loss	351	7
Miscellaneous	15	302
Profit balance	219	†1,803

* Including net interest payable. † Profit. ‡ Loss.

● comment

News that Britannia Arrow should soon be able to pay off the arrears and resume payment of preference dividends raised the preference share price from 30p to 80p yesterday. But the ordinary shares closed only 1p higher at 17½p reflecting the continuing uncertainty as to when equity shareholders will get some return on their money. Still, considerable progress does appear to have been made in the past year in sorting out the group into a viable investment management and property concern. Officially, breakeven is still the forecast for the full year. But it is possible a modest pre-tax profit will be achieved, given that existing provisions on the property side appear to have been adequate.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below, are based mainly on last year's timetable.

TODAY

Interims:—Cement-Roadstone, Grovebell, Lonrho, Nu-Swift Industries, Pearl Assurance, R. and J. Quick, Thomas Robinson, Slough Estates, Thurgar Bardex, Weir Group.

Finals:—Centrovincial Estates, Fraser Ansbacher, Gripperrods.

FUTURE DATES

Interims:

Claverhouse Investment Trust	Sept. 4
Desoutter	Sept. 1
Hall Engineering	Sept. 21
Howden (Alex.)	Sept. 28
Montfort (Knitting Mills)	Sept. 12
Nurdin and Peacock	Sept. 5
Provident Financial	Sept. 7
Rolls-Royce Motors	Sept. 15
Rowton Hotels	Sept. 6
Tarmac	Sept. 25
Williams and James (Engineers)	Sept. 15

Finals:

Cray Electronics	Sept. 8
Guinness Peat	Sept. 6
Macallan-Glenlivet	Oct. 2
West of England Trust	Sept. 4

Profits leap for Kursaal in Malta

A jump in profits before tax from £Maltese 68,000 to M£181,000 is reported by Kursaal Company, which owns the Dragonara Palace Hotel and Casino in Malta, for the year to May 31, 1978. Turnover improved by M£0.2m to a best ever M£2.25m.

Despite the uncertainties the directors look forward to good trading in the current year.

With the end of a tax holiday on hotel profits the tax charge amounted to M£66,000 (M£6,000) leaving net profit at M£114,550 (M£100,031).

The final dividend on capital doubled by a scrip issue is 6 per cent gross making a total of 11 per cent.

The figures exclude contribution from the 19 per cent owned Grand Hotel Verdala, Malta and the Hotel Villa Sant Andrea in which the company has a 50 per cent interest.

Brammer advances midterm

ANNOUNCING PRE-TAX profits ahead from £2m to £2.53m on turnover of £15.84m, against £13.34m, for the first six months of 1978, the directors of H. Brammer and Co. say they anticipate continued growth in the second half.

For all the previous year, record £4.67m profits from £27.4m turnover were reported.

After tax of £1.29m (£1.04m) first-half net profits rose from £962,000 to £1.24m, giving earnings of 8.5p (6.9p) per 20p share. The interim dividend is stepped up to 1.8p (1.4p) net—last year's final was 2.8p. A one-for-two scrip issue is also proposed.

The group makes "V-Link" transmission belting and rubber products, and distributes bearings.

First Castle Secs. doubled at halftime

By making continued good progress due to the expansion of Leslie Hunt Pianos, First Castle Securities boosted taxable profit for the half-year to August 5, 1978, from £45,255 to £103,077 on sales ahead to £323,182, against £262,374.

The directors state that trading remains at a satisfactory level in the second half. For 1977-78 profit was a record £139,000.

First-half earnings per 10p share are shown at 1.95p (1.07p) and the net interim dividend is stepped up from 0.4948p to 1.005p —the final last year was 1.5076p.

Tax for the half-year took £57,006 (£20,004) leaving the net surplus ahead to £46,071 (£25,251).

In July the company acquired 17,064 additional shares in Crane and Sons bringing the total holding to 42.5 per cent.

Results of Crane's year ended December 31, 1977, are not yet available and, therefore, results for 1978 have been used as an estimate.

Terry Kirk

Mr. Geoffrey Rippon, MP, chairman of Britannia Arrow Holdings . . . preference share payments to resume on November 30 but no sign yet of ordinary dividends.

G. Francis turns in reduced £0.23m

AFTER THE improvement from £91,638 to £98,509 in the first half, G. R. Francis Group completed the year to March 31, 1978 with profits before tax, of £228,773, compared with £241,136 in the previous year.

However, turnover at £4.86m was 15 per cent higher than the £4.22m in 1976-77 and while margins continue to remain under pressure, the increased turnover was achieved to an extent sufficient to retain a very acceptable return on capital employed, the directors say.

Tax takes £121,292 (£130,165) giving earnings per share of 3.2p against 5.3p. The dividend is a maximum permitted 3.93p compared with 3.537p, absorbing £54,038 (£55,138).

Mr. G. R. Francis, the chairman says although trading conditions generally continue to be difficult, it was another satisfactory year. The product range is still expanding and he is encouraged by the results which have assisted in maintaining the group's share of a depressed market.

The Birmingham-based group distributes heating and plumbing equipment.

Abwood rises to £41,605

Following the first half recovery from £1,333 to £18,607 Abwood Machine Tools finished the March 31, 1978 year with taxable profits ahead at £41,605 compared with £18,224. Turnover rose from £715,948 to £921,393.

Net profit was £18,444 (£5,896) after tax £23,161 (£12,328) giving earnings of 1.1p (0.3p) per 5p share. The dividend is increased to 0.375p (0.25p) net.

Arnott reaches £0.72m at interim stage

WITH TURNOVER better at £13.02m against £11.72m, profits before tax of Arnott and Co. Dublin improved from £608,000 to £722,000 for the half-year to July 8, 1978.

After tax of £309,000 (£278,000) and minorities of £31,000 (£18,000), available profits rose from £313,000 to £382,000.

First-half earnings are 8.05p (7.68p) per £1 share and the interim dividend is lifted from 4p to 5p net. Last year, payments totalled 10p from £2.19m record pre-tax profits.

The group's business involves drapery general house furnishing and warehousing.

Quaglino's shows growth

Profit ahead from £110,376 to £150,648 was achieved by Quaglino's restaurateur, for the year to October 31, 1977, before tax of £60,540, against £60,134. The ultimate holding company is Trust Houses Forte.

KCA released from $ loan

The formal release from the $23.4m loan advanced to KCA International by manufacturers Hanover Leasing International Inc of New York for the Algerian drilling contract, has now been signed. This now completes the agreement between KCA and Mr. Travis Ward, entered into in November 1977, the directors of KCA state.

Yearlings unchanged

The local authority bond rate is unchanged this week at 9¾ per cent. The bonds are due on September 5 next year and are issued at par.

This week's issues are: Huntington District Council (£1m), South Northamptonshire District Council (£½m), Walsall Metropolitan Borough Council (£1m), City of Liverpool (£2½m), City of Coventry (£¾m), Kennet District Council (£½m), Allerdale District Council (£½m), London Borough of Hillingdon (£1m), Hereford and Worcester County Council (£1½m), South Pembrokeshire District Council (£1m), Tewkesbury Borough Council (£1m), Three Rivers District Council (£½m), Preseli District Council (£½m).

Sales boom at Metals Research

Sales in June were up 75 per cent at £0.5m for Metals Research of Melbourn, Herts, and order intake so far in the current year is 110 per cent ahead of the 1977 level.

The company's sales success, particularly overseas, has prompted further expansion of the manufacturing and research facilities Dr. Barry McKinnon, the managing director states.

The company produces high pressure crystal growth machines which it has sold to research laboratories and universities throughout the Western World and recently to Japan and Communist bloc countries. In addition it has made inroads into the U.S. market for certain semi-conductor materials, such as gallium indium phosphide, which was previously dominated by American and Japanese suppliers.

LEISURE CARAVAN

At the AGM of Leisure Caravan Parks shareholders were informed that steady growth continues in the current year.

Since over half of group income is from rents receivable in advance and the majority of the remainder of the income is receivable in the first six months of the year the group was confident that for the 15th successive year record profits would be achieved.

Fairclough Construction ahead to £3.6m. for six months

FROM turnover of £89.84m, compared with £88.05m, profits before tax of the Fairclough Construction Group reached £3.6m in the first half of 1978, a rise of 18 per cent from the £3.06m in the same period last year.

After tax of £1.87m (£1.59m) earnings per share are shown at 4.472p, against 3.921p. The interim dividend is the expected 1.5p (1.1p) and Treasury has confirmed that the forecast total of 3.5p may be paid for the year compared with 2.488p in 1977.

The dividend forecasts were made last month in connection with the acquisition of Robert Watson and Co. (Construction Engineers).

	Six months 1978 £000	1977 £000	Year 1977 £000
Turnover	89,835	88,049	170,041
Profit before tax	3,601	3,056	7,049
Tax	1,872	1,589	3,537
Net profit	1,729	1,467	3,512
Minorities	—	9	—
Dividends	580	414	986

The going has been hard over the first half, says Mr. O. Davies, the chairman. However, in civil engineering, the workload has been maintained and among new work are two major motorway contracts.

In building, an improvement in overall performance is supported by an adequate work flow including new orders such as the general hospital at Stafford.

The mining subsidiary has obtained its largest ever contract, in Scotland, but has not yet penetrated, in any significant way, the overseas market. Other overseas work, however, is going well and the level of activity is satisfactory.

The Board has appointed Mr. E. Garner as chief executive of the group with effect from October 1, 1978—this will give Mr. Davies more time to devote to the role of chairman, with which he will continue to combine overall control of the group's overseas interests.

● comment

Fairclough's policy of carefully picking and choosing its work with a view to improving margins, rather than "buy" turnover during the building recession, has paid off in terms of the group's profit performance. Latest figures show pre-tax profits up nearly 18 per cent, on a small turnover gain. But compared with the second half of the previous financial year the latest turnover figure represents a sizeable improvement—nearly a tenth. Even so the group is still having to fight for a larger share of a dwindling market in public sector work and the group's order book—although a fifth higher since the beginning of the year—is possibly not as well balanced as in the past. Fairclough is still trying to beef up its overseas side as well as developing its private sector workload. In the second half the group should feel more benefit from increased activity in private sector industrial and commercial building while there will be a full year contribution from Robert Watson, which in its last financial year declared taxable profits of over £700,000. For the full year £8.5m pre-tax looks possible. On that basis the shares at 73p stand on a prospective p/e of 6.7 and yield 7.3 per cent. The shares are undervalued.

Queens Moat expands

Struck after interest and rents amounting to £394,000 against £267,000, taxable profits of Queens Moat Houses, the hotel, restaurant and catering group, advanced from £101,000 to £156,000 for the half-year to July 16, 1978.

Turnover grew some £1m to £4.8m and net profits were ahead from £48,000 to £75,000, after tax of £81,000 compared with £53,000.

The directors intend to continue their policy of vigorous expansion and are confident that improvement will continue in the second half to produce record full year results.

The directors point out that current half-year results include little of the potential of the group's latest acquisitions, the Hertfordshire Moat House and Bedford Moat House.

Earnings per 5p share are 0.44p (0.28p) and in line with the group's move towards full dividend restoration, the net interim payment is doubled from 0.125p to 0.25p—last year's final was 0.2p from £263,473 pre-tax profits.

Macfarlane exceeds £0.5m

INCREASED performance in nearly all areas of the activity at Macfarlane Group (Clansman) helped lift group taxable profit for the first half of 1978 from £304,000 to £527,00. Sales were ahead £2.02m to £6.33m.

The largest profit growth was seen in bottle closures and packaging materials for the whisky industry. The company's close relationship with most of the major whisky companies and a strong demand in that sector enabled the group to make considerable progress says Mr. Norman Macfarlane, the chairman.

The second half has started well and the directors are confident that a very satisfactory result will be achieved for the year as a whole. In 1977 profit was £0.57m—down from the peak of £0.79m attained in 1974.

The net interim dividend is raised to 2.1p (1.815p)—last time the final was 2.025p.

Improvement by London & Gartmore

With gross revenue of London and Gartmore Investment Trust higher at £247,157 against £208,895, the available net figure emerged ahead from £23,774 to £80,958 for the year ended June 30, 1978.

After tax of £37,993 (£13,722) earnings per 50p share grew from 0.38p to 1.48p. The dividend is kept as 0.5p net, plus a special payment of 0.5p per share.

Net asset value is shown at 95p (88p) per share.

AUDIOTRONIC SALES INCREASE

There has been a significant increase in retail sales in comparison to last year at Audiotronic Holdings and the directors fully expect this trend to continue throughout the rest of the current year.

At yesterday's EGM, shareholders passed the ordinary and special resolutions placed before them in the documents sent on August 3.

Allen Harvey & Ross well placed

Despite more difficult trading conditions compared with the same period of 1977 Allen Harvey and Ross, bill broker and banker, earned satisfactory profits for the six months to August 5, 1978, and is well placed to meet any further changes in interest rates in the second half, the directors report.

During the first half minimum lending rates rose by 3.5 per cent compared with a 4.5 per cent fall last time, they point out.

The net interim dividend is effectively raised to 10p (9.39p) per £1 share. Last year a total equivalent to 19.18p was paid from record profit, after provision for rebate and tax and transfers to inner reserves of £1.3m.

£1.74m for AMP Morgan Grenfell

Profits, before tax, of £1,743,209 for the nine months to June 30, 1978 are reported by AMP Morgan Grenfell, formed in October 1977 as a holding company for AMP Discount Corporation and AMP Morgan Grenfell Acceptances.

After tax of £801,234 and an adjustment of £25,308 net of tax for income from leveraged leasing being brought to account over a period, net profit for the period was £916,666, representing earnings of 11.3 per cent on shareholders' funds, including holders' sub-ordinated short-term loans.

If pre-acquisition profits of the two operating companies are included, trading profits rose by 20 per cent, from £1,629,012 to £1,938,041 for the year to June 30, 1978.

Mr. D. O. Anderson, chairman, reports that the two operating companies traded profitably in all activities during the year.

Although money margins were finer than in previous years owing to liquidity conditions and keen competition in the main money markets, the main profit sources were from margins on money and surpluses from turnover in securities, part of which was attributable to the decrease in interest rates during the year.

Paid capital was increased in each operating company during the year and shareholders' loans were provided to take advantage of the growth in the market.

The directors have decided not to recommend a dividend from either company for the present and to utilise retained funds for current operations and as a consequence, no payment will be made by AMP Morgan Grenfell for the period.

Gibbs & Dandy profits rise in first half

From higher turnover of £5.08m against £4.22m, profits of Gibbs and Dandy improved from £132,875 to £174,951 in the first half of 1978, before tax of £91,380 (£69,480).

In 1977, pre-tax profits of £404,000 were reported from sales of £9.03m.

The Luton-based group trades as builders' merchants, ironmonger, tool merchant and electrical wholesaler.

Hazlewoods plans to borrow more

Expressing confidence in the future at Hazlewoods (Proprietary) Mr. J. Lowe, the chairman, states that substantial additional finance facilities have been negotiated with the group's bankers, NatWest, to ease the strain on cash resources created by expansion plans.

At the end of 1977/78 net bank borrowings were up £407,620 (£189,530) with bank overdrafts almost doubled from £382,587 to £763,395. Future capital spending totalled £263,000 (nil) of which £143,500, had been authorised but not contracted.

The group is in the process of completing a new building at Derby which will replace part of the old premises and at Hull substantial additional storage space has been acquired and production facilities are being re-organised to make the factory what the chairman describes as one of most up-to-date pickle production units in the U.K.

Sales for the year to March 31, 1978 were, as reported August 19, 23 per cent higher at £4.39m representing a further growth of the company market penetration in a very difficult year for the food industry.

The increase was attained by introducing the group's products to more national retailers and expanding the range with existing customers. Since last year its products have been introduced to other national groups and several major additional contracts have been won with existing customers, Mr. Lowe says.

Several new products are now ready for market launch and will contribute to sales in the next year, Mr. Lowe adds.

Profit before tax for 1977/78 was up at £401,353 (£385,733) and the preference dividends arrears were paid and the company returned to the dividend list with a net total of 3p, per 20p ordinary share.

During the year four of the five directors with interests in the equity reduced their holding. At March 31 this year Mr. Lowe held 1.1m (1.63m) shares; Mr. J. Collinson 318,625 (471,925); Mr. E. W. Hickson 490,695 (728,769) and Mr. A. Hazlewood 1,000 (1,500). Mr. P. E. Barr's holding remained at 20,000.

Meeting, Derby, on September 18 at noon.

Union Corporation Limited

(Incorporated in the Republic of South Africa)

HALF-YEARLY STATEMENT

Unaudited consolidated financial results for the six months ended 30th June 1978 and the comparative figures for the year 1977 show:

	Six months ended 30th June 1978 R	1977 R	Year ended 31st Dec. 1977 R
Operating income	40,805,000	34,369,000	75,060,000
Income from investments	13,244,000	10,637,000	21,654,000
Realised profit on investments	1,817,000	682,000	2,324,000
	55,866,000	45,688,000	99,038,000
Deduct:			
Exploration expenditure	2,719,000	2,728,000	3,879,000
Interest paid	10,595,000	7,771,000	16,420,000
Provision for writing down investments and amounts written off investments (Note 2)	—	—	3,500,000
	13,314,000	10,499,000	23,799,000
Consolidated net income before taxation	42,552,000	35,189,000	75,239,000
Taxation	8,311,000	7,875,000	19,340,000
CONSOLIDATED NET INCOME AFTER TAXATION	34,241,000	27,314,000	55,899,000
Attributable to outside shareholders in subsidiaries	9,815,000	8,777,000	18,152,000
CONSOLIDATED INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF UNION CORPORATION LIMITED	24,426,000	18,537,000	37,747,000
Cost of interim dividend	9,173,000	7,338,000	—
Investments—listed, market value	268,121,000	196,364,000	254,392,000
—unlisted, directors' valuation	114,974,000	84,315,000	100,340,000
Equity shareholders interest including investments at market value or directors' valuation	524,605,000	398,952,000	481,734,000
PER SHARE — in cents			
Earnings	40	30	62
Dividend	15	12	38
Net asset value	858	652	788
Ordinary shares in issue	61,151,757	61,151,757	61,151,757

The increase in investment income is attributable mainly to increased distributions from the gold mines of the Group and Impala Platinum. Profits of the industrial subsidiaries were generally higher in spite of the low level of economic activity in South Africa.

Shareholders are reminded that income from investments and share realisations and also certain expenses do not accrue evenly throughout the year. At this stage, however, it would seem that net income for the second half of the year is likely to be similar to that earned in the first six months before allowing for any amounts to be written off investments.

The board has declared an interim dividend of 15 cents per share (1977—12 cents) in respect of the year to 31st December 1978.

NOTES:

1. As stated in the 1977 annual financial statements, net exploration expenditure is now written off in the income statement and the comparative figures for the half year to 30th June 1977 have been restated to reflect this.
2. No provision has been made in the above half-yearly figures for the writing down of investments as this provision is calculated at the company's financial year-end and is related to market prices ruling at that date.
3. During the period under review, the Corporation increased its holdings in certain subsidiary companies as set out below

	Effective holding at 30.6.1978 %	Effective holding at 31.12.1977 %
Darling & Hodgson Ltd.	54	52
Evelyn Haddon & Company Ltd.	55	52
Sappi Ltd.	53	51

4. The final dividend of 26 cents per share declared on 14th March 1978 in respect of the year ended 31st December 1977, was paid on 3rd May 1978 and absorbed R15,900,000.
5. As announced on 18th July 1978, Beisa Mines Limited, a wholly-owned subsidiary of the Corporation, is to exploit an area south of Welkom in the Orange Free State for uranium with gold as a by-product. Capital expenditure in current terms is likely to be of the order of R200 million but, in practice, will be greater due to the effects of inflation. A long-term contract has been concluded covering the sale of a substantial portion of the output of uranium oxide to be produced.

INTERIM DIVIDEND

The interim dividend of 15 cents per share, Republic of South Africa currency (1977—12 cents), declared by the directors, will be payable to members registered at the close of business on 15th September 1978 and to persons surrendering coupon No. 128 detached from share warrants to bearer.

By order of the Board
per pro UNION CORPORATION (U.K.) LIMITED
London Secretaries
L. W. Humphries

London Transfer Office:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London SW1P 1PL.
29th August 1978.

London Secretaries:
Princes House,
95 Gresham Street,
London EC2V 7BS.

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RESULTS AND ACCOUNTS IN BRIEF

BERRY PACIFIC (STERLING) FUND—*No dividend. Net deficit for period April 1, 1978, to June 28, 1978, was* £50,778.

SOUTHEND STADIUM—Pre-tax profit £35,457 (£53,855) for first half 1978. Operating receipts £245,300 (£236,474), general betting duty £28,883 (£31,090). Receipts less duty £210,417 (£205,384) expenditure £182,025 (£167,782). Operating profit £34,389 (£37,602). Rent and investment income plus interest £21,098 (£16,233). Directors say in spite of inclement weather record half figures show an improvement over comparative period.

UPDOWN INVESTMENT CO.—Income £86,797 (£73,892) for half-year to June 30, 1978. Expenses £6,552 (£6,297). Debenture stock interest £9,000 (same), tax £28,214 (£22,207). Exceptional costs £17,609 (nil). Net asset value per 25p ordinary share £64.5p (£56.1p).

DE BEERS INDUSTRIAL CORPORATION—First-half 1978 profit before tax R7.05m (R6.85m), tax R116,000 (R64,000) leaving attributable R6.97m (R6.78m). Interim dividend 37.5 cents (35 cents) costing R5.16m (R4.81m).

PHOENIX TIMBER COMPANY—Results for March 31, 1978 year reported August 5 in preliminary statement. Group fixed assets £3.24m (£3.31m) net current assets £7.60m (£6.55m). Meeting, Rainham, September 14 at noon.

OIL AND ASSOCIATED INVESTMENT TRUST—At June 30, 1978, net asset value per 25p ordinary share including full dollar premium and before taking into account capital gains tax on unrealised profits and effect of conversion of loan stock was 73½p. Net asset value taking into account effect of loan stock conversion was 71p.

NOVA (JERSEY) KNIT (double jersey knitting fabric producer)—Results for the year to March 31, 1978 reported July 21. Group fixed assets £2.11m (£2.22m). Net current assets £309,676 (£462,284). Increase in net liquid funds £794,979 (£291,794). Meeting, Marcol House, W. on September 15, at 11.30 am.

SOMPORTEX HOLDINGS—Results for April 30, 1978 year reported July 27. Group fixed assets £101,590 (£94,615), net current assets £591,391 (£405,282). Working capital increased £108,527 (£23,440). Meeting, Winchester House, EC, September 14 at 12.30 pm.

BRADY INDUSTRIES (door making, litho and letterpress, transport)—Results for year to March 31, 1978 already reported. Fixed assets, £2.4m (£2.13m). Net current assets, £3.86m (£4.13m). Chairman says orders running slightly up on last year. Meeting, Manchester, September 15 at noon.

PALMERSTON INVESTMENT TRUST—Final dividend 1.135p, making 1.799p (1.572p) for year end March 31, 1978. Net surplus £79,875 (£16,213) after tax.

ALLIANCE TRUST COMPANY—Interim dividend 2.5p (2.2p, total 7.1p) as forecast for year to January 31, 1979. Earnings for year on ordinary 25p units are *estimated at 8.20p (7.27p)*. Net asset value per ordinary 25p unit on July 31, 1978 (deducting prior charges at par) was 301½p (258½p) at January 31, 1978.

GROUP INVESTORS—Results for the year ended June 30, 1978, already reported. Investments at valuation £7.46m (£5.84m)—unrealised appreciation £2.4m (£1.54m). Meeting, 2, St Mary Axe, EC, September 20 at 2.30 pm.

WILLIAM RANSOME AND SON (manufacturing chemists)—Fixed assets £363,364 (£297,712). Net current assets £947,823 (£902,719)—cash and short-term loans £580,357 (£461,145). Chairman confident that steady growth will continue. Current cost statement shows adjusted pre-tax profit of £364,360 after depreciation adjustment £16,058, cost of sales adjustment £224,766, and gearing adjustment £23,595. Meeting, Hitchin, Herts, September 15, at 2.30 pm.

TRAFFORD CARPETS (HOLDINGS)—Results for year to March 31, 1978, already known. Group fixed assets £727,139 (£745,433), net current assets £764,909 (£753,805). Year end net liquidity down £83,904 (£70,725). Meeting, Manchester, September 15, at 12.45 pm.

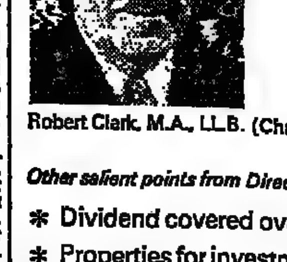
ALLIED COLLOIDS GROUP (chemical manufacturer)—Results year to April 1, 1978 reported July 13, 1978. Group fixed assets £7.15m (£6.12m), net current assets £4.73m (£4.25m). Year end liquidity down £491,000 (up £1.57m). Meeting, Bradford, September 20, noon.

BREMAR TRUST—Results March 10, 1977, to March 31, 1978, reported June 29. Investments £457,206 (£257,225) net current assets £211,520 (£243,546). Year end net liquidity down £145,179 (up £477,881). Ultimate holding company Bremar Holdings. Meeting, Bremar House, W., September 29, at 11 a.m.

DENBYWARE (tableware and furniture)—Results for April 1, 1978 year reported July 28 in full preliminary statement. Group fixed assets £2.97m (£2.96m), current assets £6.31m (£7.29m), liabilities £4.56m (£5.48m). Working capital increased by £78,071 (£1.07m). Meeting, Nottingham, September 22, at 2.30 pm.

GEORGE INGHAM AND CO. (HOLDINGS)—Turnover for first half 1978 £923,409 (£955,328), profit £21,304 (£22,322), before tax nil (£14,007). Earnings per share 1.07p (0.42p) and no interim dividend (same).

STOCK CONVERSION



Robert Clark, M.A., LL.B. (Chairman).

Results for Year to 31st March	1978 £'000s	1977 £'000s
Net Revenue before tax	5,355	4,165
Tax	2,726	2,040
Net Revenue after tax	2,629	2,125
Net Revenue retained	2,627	1,577
Earnings per share	8.78p	7.10p
Dividend per share	2.01175p	1.8025p

Other salient points from Directors' Report and Accounts:

- Dividend covered over 4 times.
- Properties for investment and dealing now *exceed £106m.*
- Short-term funds of £8m available for expansion.
- Net revenue before tax for year to 31.3.79 forecast around £7m.

Copies of the Report & Accounts available from the Secretary

THE STOCK CONVERSION AND INVESTMENT TRUST LIMITED
130 Jermyn Street, London SW1Y 4UP

BIDS AND DEALS

Starwest lifts offer to 80p but Tridant still rejects

THE BATTLE for control of Tridant Group Printers, the stationery and newspaper publishing group based in Surrey, warmed up yesterday. Starwest Investment Holdings, a private company owned by Mr. Remo Dipre, Tridant's chairman, stepped up its bid from 63p to 80p and met instant rejection from the independent directors.

A spokesman said "the offer continues to be inadequate and unacceptable."

The directors' rejection of the first offer, in which they claimed support from nearly 60 per cent of the shareholders, was based on the fact that Tridant had entered a recovery phase and its prospects far outweighed the bid.

The directors also claimed that Mr. Dipre, whose original offer document declared intentions to diversify the company away from newspaper publishing, hoped merely to realise profits on the group's Kingston printing works site for which there is planning permission for redevelopment.

Prior to the bid, however, the entire Board had announced that redevelopment was not contemplated for at least five years.

Mr. Dipre, who owns 1.27m shares (around 29 per cent), received acceptances from only 16,135 shares from his first offer. The new offer documents will be posted on Friday and the offer extended until September 15.

CIT SIGNS IN U.S. BANK DEAL WITH NATWEST

CIT Financial Corporation has signed a definitive contract following approval by the Boards of both companies for the sale of a 75.1 per cent interest in its National Bank of North America subsidiary to National Westminster Bank.

The transaction remains subject to regulatory approvals and Federal Reserve Board determination that CIT, after the sale, will no longer be a bank holding company.

CIT says it will receive US$300m for the shares, with the amount to be adjusted pro rata for any change in shareholder equity between March 31 and the closing date.

LONSDALE UNIVERSAL

Lonsdale Universal's subsidiary Lonsdale Universal Pty has now completed the purchase of James Bennett (Holdings) Pty and its subsidiary (Bennetts). The purchase consideration of £380,000 has been paid wholly in cash by Lonsdale from resources provided by its parent company. Net assets acquired as at June 30, 1978, were £342,000 and pre-tax profits as at that date were £108,000.

BURNS-ANDERSON

Burns-Anderson has acquired Olney Brothers and its associate—Interplan Electrics—for £110,000 cash.

Olney carries on the business of store fitting based on the manufacture of its own modular units and Interplan is electrical and ceiling sub contractors to the shop fitting trade.

Net assets at May 31, 1978 were £76,494 and pre-tax profit for the year to February 28, 1978, £52,118. Both operate from Berkhamsted, Herts.

PRIVATE CONCERN TAKES 30% STAKE IN NELSON DAVID

A near 30 per cent stake in Nelson David the Welsh-based motor retailing and repair business has been acquired by Convey a new private company jointly owned by Mr. David Cooper and Miss Perdita Erith.

Convey, which holds no other investments, has paid around £220,000 for its holding which had been acquired largely from the family interests of the company's former chairman, Mr. Marshall David.

Mr. Cooper who has a 75 per cent stake in Convey said that it was not the company's intention to mount a full bid for Nelson David which last year earned pre-tax profits of £183,736, after deducting closure costs of £66,034.

BTR COMPLETES WORCESTER BID

Following a meeting of shareholders of the Worcester Control Valve Corporation held in Boston, Mass. on Monday the directors of BTR announce that they have acquired the Worcester capital through the two wholly-owned U.S. subsidiaries, BTR Inc. and S.W. Industries Inc.

The $30 a share deal, first mooted in early June, values Worcester at $48m and is being financed by $45m cash with the balance in BTR shares.

Worcester's sales for the nine months ending May 31, 1978, were $46.8m which generated pre-tax profits of $6.4m.

APPROACH TO WM. MOWAT

Shares of William Mowat, the property and wood treatment company, were suspended yesterday because the directors have received an approach which may lead to an offer for the company.

The Board is considering the approach with its financial advisers and will inform shareholders of the outcome in due course. Meanwhile it advises shareholders to take no action.

Mowat has an issued capital of £100,000 in 10p shares. The three directors Mr. H. P. Bogard, Mr. H. Bernard and Mr. M. H. S. Brand were shown in the last accounts to own 166,665, 149,840 and 166,665 shares respectively. Mr. H. P. Bogard also held 133500 shares as a trustee.

CONSOLIDATED PLANTS. DENIAL

Consolidated Plantations yesterday stated that it has not made an offer for any other company and has no plans of doing so.

The statement has been made in response to strong rumours that a bid was imminent. The market had even got so far as defining the terms on which CP was rumoured to be about to bid for Guthrie Corporation. They were ten CP shares for one Guthrie. Guthrie shares fell 7p to 380p yesterday.

Guthrie shares were as high as 400p last week, before Sime Darby Holdings, the parent company of Consolidated Plantations, confirmed for a second time that it had no intention of bidding for the company.

ELLIS & EVERARD

At an EGM, the resolution approving the sale of the building supplies division of Ellis & Everard to Travis and Arnold for £3,578,400 cash was passed.

Resolutions approving ex gratia payments to two directors of the building supplies division were also passed.

CHADDESLEY

The offer by S. Lipton and G. Wilson and associates for Chaddesley Investment has closed. Acceptances were received in respect of 119,306 shares (5.42 per cent of shares for which the offer was made).

BALMORAL (CEYLON)

Balmoral (Ceylon) Estates Company announces that approaches have been made to the company which it is expected will lead to an offer.

NO PROBE

The proposed merger of Beecham Group and Scott and Bowne is not to be referred to the Monopolies Commission.

SHARE STAKES

Blackwood Hodge — J. H. Robertson and others—The Mary Sunley Family Settlement—sold on August 17 its entitlement to 1,148,696 shares being part of the rights issue on August 9. Following this, number of shares in which the member is interested is now 12,548,778 (17.4 per cent)—previously 19 per cent. J. H. Robertson and others — the Bernard Sunley Family Settlement—sold on August 17 its entitlement to 1,121,691 shares of the rights issue. Following this the number of shares in which the member is interested is now 12,384,606 shares (17.7 per cent)—previously 18.7 per cent.

Gill and Duffus Group—T. P. H. Aitken, director, has sold 10,000 shares.

Stoddard Holdings — Throgmorton Trust holds 44,380 shares (4.98 per cent).

Pilkington Bros. — Sir A. Pilkington, Lord Pilkington, A. C. Pilkington, D. F. Pilkington, J. A. S. L. Leighton-Boyce and L. N. Wall directors, ceased to have non-beneficial interests in 18,000 shares at 640p on August 21.

National and Commercial Banking Group—Kuwait Investment Office has increased its interest to 13,499,000 shares (6 per cent)—previously 5.97 per cent.

Lowland Drapery Holdings—R. M. Watson, director, has sold 8,000 shares. Bank of Scotland London Nominees has bought 23,000 shares making total 100,000 (5.08 per cent).

CMT takes 5% stake in Gnome

Central Manufacturing and Trading Group has picked up a 5 per cent stake in Gnome Photographic Products, the cash rich photographic apparatus manufacturer.

No price was disclosed but last week Gnome's shares rose 3p to 61p, having climbed from 44p at the beginning of the month. Yesterday they climbed another penny.

In its last balance sheet Gnome had cash and quoted investments of around £750,000, accounting for 80 per cent of capital employed. The liquid funds alone are worth 30p a share.

Yesterday a spokesman for Gnome said that the company was still considering how to distribute the cash and was also actively seeking possible acquisitions.

The spokesman could not confirm where CMT had picked up the stake. The family and Board own around 60 per cent of the shares and the only other disclosable interest is the pension fund of Imperial Tobacco.

CMT has made similar purchases before. In September last year it bought a 25 per cent stake in W. Tyzack Sons and Turner. A fortnight ago it sold the stake to Record Ridgway. In May CMT also raised £1.5m by way of a rights issue and at that time announced total short term debt of £8.2m.

ASSOCIATES DEALS

Hill Samuel and Co. purchased 200,000 Fluidrive at 92½p on August 25 as an associate.

In addition Hill Samuel and Co. purchased a further 60,000 shares at 93p.

E. B. Savory, Milln and Co. after the printing of the offer document, bought 30,000 Weston Evans at 135p on behalf of Johnson and Firth Brown.

Fielding, Newson-Smith and Co. as joint brokers to Allied Breweries state that they sold on behalf of a discretionary client of Morgan Grenfell and Co., advisers to J. Lyons and Co., 10,000 Allied Breweries at 84p.

TILLING OFFSHOOT CHANGES NAME

Thomas Tilling's wholly-owned subsidiary Gascoignes Gush and Dent has changed its name to the Gascoigne Group. It is the holding company for an international group of engineering companies involved with agricultural and light engineering products.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Abbey Panels	int.	1.3	Sept. 25	1.3	—	2.64
Allen Harvey & Ross	int.	10	Oct. 18	*9.59	—	*19.18
Arnott & Co.	int.	5	Jan. 31	4	—	10
H. Brammer	int.	1.8	—	1.4	—	4.2
Conzinc Riotinto	int.	¶3.5	Nov. 3	4.5	—	10
Fairclough Construct.	int.	1.3	Jan. 5	1.1	‡—	2.40
First Castle	int.	1.01	Oct. 25	0.49	—	2
G. R. Francis		3.95	—	3.54	3.93	3.54
Johannesburg Invest.		‖130	—	130	170	170
London & Gartmore		§0.5	Oct. 12	0.5	0.5	0.5
Macfarlane Group	int.	2.1	Oct. 10	1.82	—	3.84
Peko-Wallsend		¶7.5	Oct. 27	7.5	15	15
Queens Moat	int.	0.25	—	0.13	—	0.33
Scottish Northern	int.	1.2	Nov. 6	1.2	—	3.66
Union Corpn.	int.	‖15	Oct. 25	12	—	38

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ 3.5p total forecast confirmed. § Plus additional 0.5p special dividend. ¶ Australian cents throughout. ‖ South African cents throughout.

Vibroplant profits increase forecast

THE CURRENT year has started reasonably well for Vibroplant Holdings with profits at a satisfactory level and Mr. G. B. Pilkington, the chairman, expects growth *to continue and profits to further* increase in 1978-79.

A slight upturn in the building industry was noticed in the spring and should continue into next year but prospects for civil engineering and the industry generally are not good, says Mr. Pilkington.

Although no new depots were opened in the last 12 months, it is hoped to extend the group's business of plant hire services to the South Midlands in the near future. Planning approval is expected for a new depot in Birmingham in September and as soon as approval is received an immediate start will be made.

For the year ended March 31, 1978, profits before tax rose from £1.85m to £2.61m on turnover of £9.49m (£6.77m). The dividend is 10.6265p (9.515p).

Airpac International and the portable buildings division continued to progress and the group increased its share of the market in the building and civil engineering industries.

Against a background of severe competition and in a market still far from buoyant, the year's improvement underlines the strength of the group and its ability to increase profits under difficult conditions, says the chairman.

Meeting, Leeds, September 18 at 1 pm.

£50,000 first half turnround for Elys

On turnover of £2.57m against £2.07m the directors of Elys (Wimbledon) report pre-tax profits of £41,202 for the 26 weeks to July 29, 1978 compared with losses of £9,083 last time.

Profits for the whole of the 1977/78 year expanded from £88,502 to £157,615.

The interim dividend is increased from 0.67p to 0.74p net per 25p share—last year's final payment was 2.08p.

Pre-tax profit for the period was struck after depreciation £24,587 (£21,303) and interest £41,589 (£54,973) but was subject to a tax charge of £21,425 against a credit, last time, of £4,723.

Elys is a departmental stores and drapery concern.

OIL AND GAS NEWS

Gulf Oil drills deeper in Baltimore Canyon

GULF OIL has received a permit to enable it to drill its Baltimore Canyon wildcat well an additional 2,000 feet or to a new total depth of 18,000 ft.

Gulf is currently drilling at 16,266 ft and well log evaluations are planned at about 16,800 ft.

Further drilling will depend on the evaluation of the 16,800 logging programme. Drilling costs are running about $75,000 per day and should Gulf decide to continue to the new proposed depth another 30 days could be added to drilling time.

The exploratory well, located on Hudson Canyon Area block 857, 90 miles offshore Atlantic City in 348 ft of water, was spudded on June 10. The block was acquired in August 1976 for $10.65m.

Gulf, the operator, has a 50 per cent interest. Other participants are Aminoil USA, with 25 per cent, Tenneco, 15 per cent and Cities Service, 10 per cent.

* * *

Indications of oil bearing sandstones have been found in the Seahorse 1 well being drilled by the Esso Exploration and Production/BHP partnership offshore Victoria.

Logs run at 1,867 metres over the interval 1,513-1,522 metres and 1,608-1,610 metres gave the indications but the commercial significance of the zones is not yet known. The well, now at 2,252 metres, is being deepened to around 2,365 metres.

* * *

Deminex of West Germany says that two test drillings it has made in south-west Iran established oil bearing strata. The drillings in the Abadan region were made for the National Iranian Oil Company.

Commercial significance of the test drillings will be investigated and further work will be carried out in the area.

* * *

France's two State-controlled oil companies, Elf-Aquitaine and Cie Francaise des Petroles, are holding exploratory talks with Chinese officials over eventual French participation *in oil* research and exploration in China.

The talks involve two types of contracts; a risk contract for unexplored areas and a services contract for others. A Chinese delegation is expected in Paris next month.

Cableform expects dip at halftime

Halftime profit at Cableform Group is expected to be below that seen in either of the two halves of 1977/78. However budgets based on customers' current production *schedules indicated* substantial upturn in both sales and profits in the second six months which would leave the fulltime figures about the same level as last year, Mr. C. P. Choularton, the chairman, told the annual meeting.

The Board intends to pay a maximum permitted dividend for the year to March 31, 1979, split equally over each six months.

Last year, as known, profit was a record £0.75m with £0.37m coming in the first half.

MINING NEWS

Union Corpn. enjoying a prosperous year

BY KENNETH MARSTON, MINING EDITOR

SPARKLING half-year results are announced by the General Mining group's Union Corporation. Net profits come out at R24.4m (£14.6m), or 40 cents per share, compared with R18.54m a year ago when the 12-month total reached R37.7m. The interim dividend is lifted to 15 cents from 12 cents; last year's final was 25 cents.

The South African gold and industrial group points out that while investment income and sharedealing revenue do not *accrue evenly throughout* the year, its net income for the second half is likely to match that of the first before allowing for any amounts to be written off investments.

Buoyant conditions in the gold mining industry and in the share market coupled with improved fortunes at the group's Impala Platinum (which has just raised its selling price by $10 to $250 per ounce) are reflected in the increased revenue from group operations, investments and share dealings.

At the same time, the industrial subsidiaries have made increased profits despite the low level of economic activity in South Africa. The market value of Union Corporation's investments at June 30 amounted to R524.6m (£314.1m) compared with R398.9m a year ago R481.7m at end-1977.

It is stated that a long-term contract has been obtained for the sale of a "substantial" portion of the uranium oxide to be produced by the group's R200m-plus Beisa Mines uranium-gold property in the Orange Free State. It is due to reach production in the second half of 1982 and a public offer of shares in the newcomer is expected in due course. Union Corporation hardened to 300p yesterday.

Jamaican award angers Revere

REVERE COPPER AND BRASS, the U.S. group, yesterday described as "a shocking injustice" the decision of the Overseas Private Investment Corporation to pay it $1.1m (£570,000) compensation for the closure of its bauxite facilities in Jamaica during 1974.

OPIC, which insures U.S. companies against investment risks in developing countries, announced the compensation decision in Washington last Friday, denying the Revere claim for $90m.

Revere's facilities in Jamaica were closed following a tax dispute with the local Government. *The company* claimed that its operations had been expropriated. It valued the equity of its Jamaican assets at $64.8m.

But OPIC rejected the expropriation argument, pointing out that other companies had resolved their tax differences with the Jamaican Government *and had* continued to operate there.

The dispute was sent to arbitration and the panel ruled that OPIC, a Government agency, should pay $1.1m. OPIC stated that it would not contest the ruling further.

Revere, despite its initial hostile reaction, is still analysing the decision. A *statement* said the group realised that unless it withdrew the claim or sought to have the arbitration award set aside, it must transfer the stock interest in its Jamaican unit to OPIC.

CRA trims its interim

CONZINC RIOTINTO OF AUSTRADLIA, the Australian arm of the Rio Tinto-Zinc group, has declared a reduced interim dividend of 3.5 cents (2.08p). The payment *at this time* last year was 4.5 cents and the total for 1977 was 10 cents.

The latest declaration was accompanied yesterday by the announcement of lower net profits for the 1978 first half, precisely as expected from group statements and amply foreshadowed by the earlier results of *subsidiaries like Hamersley, Mary* Kathleen, AM & S and Comalco.

Consolidated net earnings were A$35.7m (£21.3m), boosted by a once-and-for-all payment of A$12.47m consequent upon the rearrangement of aluminium and salt interests last May. In the first half of 1977 restated consolidated net earnings were A$44.6m.

Although Bougainville Copper gained from higher gold prices, the doldrums in the copper, lead, zinc and iron-ore markets allied to the fall in the value of the U.S. dollar against the Australian dollar depressed C.R.A.'s other revenue figures.

But the group thinks the prospects are now looking slightly better despite the unsettling effect of fluctuating currencies. Signs of recovery in metal prices have been noted while a better balance between metal supply and demand has been achieved. At the same time, easing inflation has reduced Australian cost pressures.

Yesterday the shares were 3p higher at 289p.

Johnnies' R56m write-off for Otjihase mine

AS FORECAST at the half-way stage, Johannesburg Consolidated Investment has made another substantial provision in its results for the full year to June 30 against its holding in the Otjihase copper mine which was placed on care and maintenance in January.

After writing-off R12m (£7.2m) in 1976-77, "Johnnies" has made a further provision of R44.4m which covers the total write-off for the Namibia (South West Africa) mine. This includes possible future losses arising from guarantees in respect of bank loans and the estimated costs of care and maintenance through to December 1980 during which period the future of Otjihase will be reconsidered.

Prior to this write-off, "Johnnies" profits for the past year amounted to R44.8m compared with R27.8m in the previous 12 months. Profits were boosted by share sales made in line with the policy of realising liquid investments and normal portfolio management. There was also the reversal of a previous provision, no longer required, of R6.1m for losses on the Orange Fish Tunnel.

An interim dividend of 40 cents maintains the year's total at 170 cents. Net assets at June 30, including investments at market value, equalled R48.82 (£29.23) per share compared with R41.48 a year ago. "Johnnies" were £15½ yesterday.

MINING BRIEFS

AMALGAMATED TIN MINES OF NIGERIA—July production of tin concentrates 153 tonnes (June 171 tonnes). Production of columbite concentrates 28 tonnes (June 29 tonnes).

EX-LANDS NIGERIA—Production of tin ore for July 34 tonnes (June 21 tonnes).

Dome Mines boosts income

DOME MINES, the Canadian gold producer with extensive petroleum interests and a recently acquired stake in Denison Mines, shrugged off higher mining costs during the 1978 *first half* to record net earnings of a record C$19.1m (£8.8m), or C$3.22 per share, compared with C$13.2m in the first half of last year.

Revenue in the second quarter at C$16.6m declined from C$18.2m in the first three months, partly because the gold selling price *slipped but also* because one of the three mines produced less. However, over the whole of the first half, the amount of gold milled at 754,800 tons was only fractionally less than in the 1977 first half.

But operating costs per ton rose to C$24.97 from C$22.14. This reflected both *an expansion of the* underground development programme and higher charges for materials and labour.

Dome had an equity interest in the earnings of Dome Petroleum of C$8.5m, compared with C$7.8m in the first six months of last year.

Another group to report a substantial rise in first-half earnings is Steep Rock Iron Mines, but the main factor behind the improvement was the increased value of the U.S. dollar relative to the Canadian dollar. Net profits were C$4m (£1.8m) against C$2.3m in the 1977 first-half.

The figures in both halves were boosted by tax credits. But production over the rest of the year is likely to be less because of planned maintenance shutdowns. Next year mining operations in north west Ontario will be completed and no firm decision on the future direction of the company has yet been taken.

Elsewhere in the iron ore sector, results have been less favourable. The four months strike at Iron Ore Company of Canada, which lasted beyond the first half *although it has since been settled*, hit the earnings of Hollinger Mines.

Royalties from Iron Ore Company are normally the largest source of income at Hollinger, whose figures are consolidated with those of its subsidiaries, Labrador Mining and Exploration and Hollinger North Shore Exploration.

Hollinger in fact had a net loss of C$627,000 (£284,390) in the first half compared with a net profit of C$7.7m in the same period of last year. Traditionally earnings are better in the second half than the first, and the company expects the trend to continue, but it has warned shareholders that it cannot make up the earnings lost as a result of the strike.

"Hollinger earnings for the 12 months will be substantially below those of last year," said Mr. A. L. Fairley, the president.

By contrast, Consolidated *Rambler Mines*, the Newfoundland copper producer, has returned to profit. Earnings before federal income taxes in the six months to June were C$692,685 (£314,070) against a loss of C$114,874 in the comparable period of 1977. Copper in concentrate produced this year has been valued at 64 cents a pound compared with 62 cents last year.

ROUND-UP

Australia's multi-metal producer, Peko-Wallsend, reports net profits for the year ended July 4 of A$19.11m (£11.57m) compared with A$18.92m a year ago. Earnings per share equal 50.5 cents compared with 50.3 cents in 1976-1977 after allowing for the one-for-five scrip issue. A final dividend of 7½ cents makes an unchanged total of 15 cents.

* * *

Second-half earnings of the Patino NV group amount to $1.55m (£820,000). This brings the half-year total to $3.43m, or 83 cents per share, compared with $2.7m a year ago.

* * *

The joint formation of Newsel Incorporated, a company to provide a complete range of consultancy services in coal exploration and coal mine development and operation in the United States, is announced by London's Seltrust Engineering and Newco *Engineering and Coal Development* of Indianapolis. Announcing the formation, Mr. Mike Nyren, managing director of Seltrust, a subsidiary of Selection Trust, and Col. Oattis E. Parks, President of Newco, said the capability of Newsel would include land acquisition, drilling, evaluation of reserves, economic feasibility studies, mine planning and mine development.

* * *

West Germany is willing to grant credits totalling DM140m (£36m) to Indonesian banks financing a major aluminium smelter project on Bintan Island, according to Antara News Agency. Visting West German Economics Minister, Mr. Otto Lambsdorff, made the offer to Mining Minister, Mr. Subroto, and also said that Germany would make available a further DM18m as project aid for a power transmission system in Central Java.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Warner-Lambert planning to acquire Entenmann's

BY DAVID LASCELLES

NEW YORK, August 29.

WARNER-LAMBERT is to buy a majority shareholding in Entenmann's for a sum that could reach $232m.

Principally a pharmaceuticals concern, though it also makes mint, gum and Schick razors, Walter-Lambert has signed a definitive agreement with the principal stockholders of Entenmann's to buy a majority of its shares for $30 each. These stockholders are mainly members of the Entenmann family who hold 80 per cent of the company's stock. Later, the offer will be extended to public shareholders.

For Warner-Lambert, the move represents further diversification in the consumer products field. As with chewing gum and razors, the company anticipates that Entenmann products will eventually be sold abroad, either by direct marketing or licensing.

For Entenmann, the merger marks the end of independent existence of a company formed in 1898 and tightly run by family interests since then. Entenmann's has two major bakeries, in Long Island and Florida, and distributes fresh cakes daily to chain stores from eight distribution centres.

The company, which only became public in 1976, has achieved an annual growth rate of 26 per cent in sales and 43 per cent in earnings over the past five years. Its shares have recently been trading at $23, which led some industry analysts to comment that Warner-Lambert got an excellent bargain.

Emery Air earnings increase

BY OUR FINANCIAL STAFF

EMERY AIR FREIGHT, the world's largest air freight forwarder, raised second quarter earnings by 23 per cent to $5.4m, or 35 cents a share, with revenues increasing 24 per cent to $102.4m, the first time the company's quarterly volume has exceeded three figures.

Domestic revenuts went up by nearly 30 per cent to $68.6m, while those outside the U.S. gained nearly 16 per cent to more than $31m.

During the whole of the first half, Emery produced earnings of $10.4m, a 21 per cent advance on the same period of last year, after a revenue boost of the same percentage amount to $189m. At the per share level, earnings emerged at 68 cents.

Commenting on the company's international activities, the divisional manager for Europe, Africa and the Middle East, Mr. Jan Schenkels, called the results "very pleasing."

He noted that the industry had seen casualties, with some forwarders forced out of business. This, he added, "should be a warning to us all of the need to maintain the right balance of market share and profitability."

Over the initial six months, Emery's international business produced revenues of $60m, a 14 per cent improvement on the same period of 1977. Domestic revenues, however, rose at a faster 25 per cent pace to $133m.

CANADIAN COMPANIES

Advance at Toronto Dominion

BY ROBERT GIBBENS

MONTREAL, August 29.

TORONTO DOMINION Bank lifted its earnings for the nine months ended July 31 to C$90.9m, or C$2.40 a share, from C$73.9m, or C$1.95. Assets totalled C$22bn, a rise of 21.5 per cent.

One of the country's major oil and gas producers, Home Oil, turned in operating earnings of C$19.2m, or C$2.34 a share, in the first half against C$17.3m, or C$2.12, the previous year. The company, which is controlled by Consumers Gas, the Toronto gas distributor, has sold its remaining shares in TransCanada Pipelines to Dome Petroleum for C$7m.

Revenues increased from C$65m to C$78m, mainly due to higher oil and gas prices and the acquisition of Bridger Petroleum. Capital spending this year will total C$132m in western Canada and the U.S.

Blackwood Hodge Canada, the U.K.-controlled heavy equipment concern, earned C$324,00 in the first half, or 13 cents a share, against C$174,000 or seven cents. Revenues were C$54m against C$55m.

British Columbia Resources Investment Corporation plans to raise C$75m through a public offer of common stock at C$10 a share. The British Columbia government-owned company owns the Canadian Cellulose Pulp operation, an 11 per cent stake in Westcoast Transmission, oil and gas leases and several private forest products firms.

Banque Provinciale du Canada earned C$4.9m in the third quarter against C$3.6m a year earlier.

Bayer U.S. deal blocked

WASHINGTON, August 29.

THE CHEMETRON Corporation unit of Allegheny Ludlum Industries and Rhinechem, which is affiliated with Bayer Aktiengeschllschaft of West Germany, has been ordered by a Federal judge not to merge their organic pigments business until after a court hearing on a Government attempt to block the merger, the Federal Trade Commission said.

The FTC is seeking an injunction in U.S. District Court in Chicago blocking the proposed acquisition by Rhinechem of the pigments division of Chemetron.

Mr. Daniel Schwartz, deputy director of the FTC's bureau of competition, said U.S. District Court Judge John F. Grady ordered the two companies not to merge their organic pigments operations now. The order prevents the merger until after U.S. District Court Judge Joel M. Flaum decides on the FTC request for an injunction.

The Commission voted unanimously last week to begin administrative proceedings alleging the acquisition would have anti-competitive and monopolistic effects.

The injunction would prohibit the proposed merger pending the outcome of the administrative proceeding.

The FTC said it wants to prevent the merger and if it cannot it will seek a later divestiture.
AP-DJ

International Paper to settle suits

NEW YORK, August 29.

INTERNATIONAL PAPER Company said it has agreed to settle all civil class action anti-trust suits brought by private plaintiffs for payments aggregating $13.5m.

The company said the suits cover both fine papers and corrugated container operations, and several fine paper suits brought by states are also included in the settlements.

In agreeing the settlements, subject to court approvals, the company said it denied any wrongdoing or violations of the anti-trust laws.
Reuter

New oil accounting rules

WASHINGTON, August 29.

THE SECURITIES and Exchange Commission has announced the adoption of rule requiring disclosure of valuation data on proved oil and gas reserves in financial statements.

In addition, the Commission has adopted rules requiring disclosure by companies in the oil and gas industry of supplemental historical, financial and operating information, including quantities of proved oil and gas reserves and cash flow from production activities.

For 1979, the SEC has proposed the presentation of an earnings summary based on so-called reserve recognition accounting.

The Commission said its ultimate objective is the development of the reserve recognition accounting system which recognises valuations of proved oil and gas reserves in the balance sheets and income statements of oil and gas producers.

It said the process of determining whether this ultimate method is feasible will require several years, and during this period the Commission's steps today should assure that investors have adequate information to judge the worth of oil and gas producing companies.
Reuter.

Pebble Beach offer

Twentieth Century-Fox Film Corporation has reached agreement to acquire Pebble Beach Corporation for $12.50 cash per common share, or a possible issue of instalment notes on terms yet to be negotiated, AP-DJ reports from Beverley Hills. Pebble Beach now has nearly 1.5m common shares and 216,000 shares of convertible preferred stock which converts into common at the rate of 1,045 common shares for each preferred.

ISC sale

International Systems and Controls (ISC) has agreed to sell nearly all the assets and liabilities of its J. F. Pritchard subsidiary to Keang Nam Enterprises of Seoul, AP-DJ reports from Houston. ISC said the price $6m in cash and notes and $2m of indebtedness to be assumed by Keang Nam, a diversified industrial concern. ISC may receive as much as $2m more in commissions over the next five years on business it generates for Pritchard.

Reshuffle at Columbia Pictures

BY OUR OWN CORRESPONDENT NEW YORK, August 29.

COLUMBIA PICTURES has reorganised its top management in the wake of the highly-publicised dismissal of Mr. Alan Hirschfield, its president and chief executive officer for the last five years.

Mr. Sy Weintraub, a leading figure in the TV and film business, has been appointed to the new post of chairman of a recently formed film entertainment group within the company. The group comprises Columbia Pictures, Columbia Pictures Television and Columbia Pay TV.

Effectively this means that Mr. Weintraub will be taking over the responsibilities previously discharged by Mr. Hirschfield.

Multifoods re-rated

Standard and Poor's Corporation has increased the rating on International Multifoods Corporation 9½ per cent sinking fund debentures to triple-B plus from triple-B, AP-DJ reports from New York.

EUROBONDS

U.S. economic news hits dollar issues

BY FRANCIS GHILES

THE EUROBOND markets were quiet yesterday until news of the much worse than expected U.S. trade deficit broke: the result was to push down the price of dollar denominated bonds, sometimes by as much as a quarter of a point, while pushing the prices of bonds in the Deutsche-Mark sector up by a quarter of a point across the board.

Two new issues in this sector were confirmed yesterday: Westdeutsche Landesbank is arranging a DM50m convertible for Asahi Optical Co. Terms include an eight and a half year maturity and a 3½ per cent coupon, with final terms expected on September 8. The conversion premium will be about 10 per cent. Asahi Optical shares have risen as high as Y575 and fallen as low as Y376 this year. They closed in Tokyo yesterday at Y535.

The other issue to be confirmed was a DM50m private placement for the Industrial Mining and Development Bank of Iran: terms for this bullet issue include a coupon of 7¼ per cent and a six year maturity. Lead manager is Bayerische Vereinsbank.

A LuxFr 500m 10-year issue is being arranged for the Swedish Investment Bank by Kredietbank Luxembourgeoise. The issue carries an 8 per cent coupon and the average life of the bonds is seven years. The bonds are expected to be priced at 99½.

A LuxFr 250m private placement for the same borrower, which was expected to run in tandem, has been postponed because of fears that Belgian interest rates will rise in the near future.

The Canadian dollar sector was very weak yesterday, with many bonds shedding as much as three-eighths of a point as a result of continued weakness of the currency.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
261 Greenwich High Road, Greenwich SE10 8NL.

* Deposit Rate 6.45%. Share Accounts 6.95%. Sub'pn. Shares 7.95%. Term Shares 2 yrs. 1% above share rate, 3 yrs. 1½% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income shares 6.80%.

LONDON GOLDHAWK
(01-995 8321)
11/17 Chiswick High Road, London W4 2NG.

Sub'pn. Shares 8.20.
Deposit Rate 6.45. Share Accounts 6.95.

Investors look for Servomation bid rise

By Our Own Correspondent

NEW YORK, August 29.

WALL STREET continued to expect a higher offer in the takeover battle for Servomation, the vending and catering company today, though there was no firm indication that either of the contenders, Liggett Group or GDV, was contemplating improving its bid.

Servomation shares were trading today at around $48.50, exactly in line with Liggett's latest offer worth $130m, which suggested that investors were awaiting an improvement of possibly a dollar in the bidding. Normally shares trade just below the offer price.

Liggett's offer, which is for 45 per cent of Servomation's stock, competes with a $47 bid by GDV for any or all shares, sweetened by a 25 cent per share commission to brokers.

Crane sets terms

CRANE, the specialty steelmaker, has specified the terms of its offer for Medusa, thus clarifying its position in the marathon takeover battle for the Cleveland-based cement maker, David Lascelles writes. Having indicated last week that it would offer at least $47 per share in order to bring its holding up to 48 per cent, Crane now says it will offer $50 for up to 700,000 shares, which in addition to the 600,000 it already owns will bring its holding up to 45 per cent

Dutch banks cross Atlantic

BY CHARLES BATCHELOR IN AMSTERDAM

ALGEMENE BANK Nederland's plan to acquire Lasalle National Bank of Chicago is an important new step in the foreign expansion of the Dutch banking community. The Dutch institutions have previously limited themselves to establishing branches and in one case, sharing in the setting up of a consortium bank in the U.S.

ABN's plan to take over the entire share capital of Lasalle—number 194 in the list of U.S. banks—for $82m, breaks new ground. ABN already has seven offices in the U.S., including one in Chicago where Lasalle is headquartered. It has two offices in New York, and is also represented in Atlanta, Houston, Los Angeles and San Francisco.

In its latest annual report ABN—the largest bank in Holland in terms of balance-sheet total—said it aimed to expand its branch network primarily in North America and Western Europe. It has the most extensive network of foreign branches of any Dutch bank—more than 200 in 40 countries—but it is still expanding to achieve "as balanced a contribution as possible from the different areas where it is active."

While Lasalle will be the first ABN holding in the U.S., the bank has a variety of minority and majority holdings in other parts of the world. These include Albank Alsaudi Alhollandi of Jeddah, in which the Dutch bank has a 40 per cent stake. Other recent expansions of its foreign operations are the increase in its holding in Neuflize, Schlumberger, Mallet of Paris to 60 per cent and the acquisition of a 60 per cent holding in Neue Bank Zurich.

ABN's major commercial banking rival, Amsterdam-Rotterdam Bank (Amro) was the first of the "big two" Dutch banks to take a direct stake in a U.S. bank but its holding is smaller. Amro has 17 per cent of European American Bancorp, the holding company for European American Banking Corporation and European American Bank and Trust Company.

The growing need of Dutch banks to seek profits outside the narrow confines of their own country has been the main reason for their move to the U.S. and other foreign centres. The fall of the dollar against the guilder makes the U.S. particularly attractive, while the banks, as well as other industries, are drawn by the more buoyant economy there and the more flexible business climate. As more and more Dutch companies acquire make acquisitions in the U.S., the bankers are obliged to follow their customers

European American was set up by Amro and five of its partners in European Banks' International Company (EBIC). It has offices in New York, Los Angeles, San Francisco, Chicago and the Caribbean. It is the largest non-American bank in New York and it absorbed in 1974 much of the businesss of the failed Franklin National Bank.

Amro also has a quarter share in Sogen-Swiss International Corporation of New York, an investment bank active in new issues. Amro has traditionally worked through bank groups—such as EBIC—rather than establish its own branches. But it too is now strengthening its own network abroad and has recently opened branches in London, Tokyo and Dubai.

The remaining Dutch banks do not have strong direct representation on the other side of the Atlantic. Nederlandsche Middenstandsbank (NMB) recently upgraded its representative office in New York to a full branch, but it remains a largely domestically-oriented bank with some European activities. Slavenburg's Bank of Rotterdam owns the Slavenburg Corporation of New York.

Centrale Rabobank, the agricultural cooperative which is expanding into other general banking fields, set up Rabomerica International Bank, based in Amsterdam, together with Bank of America. But this did not work out and the American bank has since reduced its holding to only 5 per cent.

If the Dutch banks' holdings in the U.S. have been modest up to now, the stake of American bankers in the medium-sized Dutch institutions has been sizeable. First National Bank of Chicago has held a stake in Slavenburg's Bank since 1967—the same year that Chase Manhattan bought a share in Nederlandse Credietbank (NCB). The Chicago bank has now reduced its holding in Slavenburg's from 20 per cent to 11 per cent, but cooperation remains close. Chase Manhattan now holds 31.5 per cent in NCB, whose other main shareholders are the industrial holding company, Thyssen-Bornemisza with 27.5 per cent and two Dutch insurance companies with 10 per cent each. Chase Manhattan has, in fact, increased its holding from 25 per cent over the past few years.

Two smaller Dutch banks also have American shareholders. Bank Morgan Labouchere is jointly owned by Morgan Guaranty and Amro and is managed by the U.S. bank. Manufacturers Hanover Trust has a 16 per cent stake in Bank Mendes Gans. Morgan Guaranty used to hold 20 per cent of Bank Mees en Hope but Mees now belongs fully to ABN.

The Dutch banks' growing need to seek profits outside the narrow confines of their own country has been the main reason for their move to the U.S. and other foreign centres. The fall of the dollar against the guilder makes the U.S. particularly attractive, while the banks, and other industries, are drawn by the more buoyant U.S. economy and the more flexible business climate. As more and more Dutch companies make acquisitions in the U.S., the bankers are obliged to follow their customers.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

SPANISH MOTORCYCLE INDUSTRY

The penalty for lagging behind

BY DAVID GARDNER IN BARCELONA

THE DIFFICULTIES facing the Spanish motorcycle industry were underlined recently by the announcement of the absorption of the Compania Espanola de Motores (CEMOTO), which makes the Bultaco range by the Austrian combined Steyr-Daimler-Puch.

CEMOTO had hitherto been regarded as one of the motorcycle industry's most dynamic companies, with its Bultaco machines winning international prestige and its sports models amassing an impressive number of trophies since the company was set up in 1958. Its recent difficulties have been attributed to a bad strike record, and to planning errors which have seriously weakened the company's finances. However, its more general problems—technological backwardness and an insufficient range of attractive models—equally concern the rest of the sector.

Spain"s motorcycle industry is small in volume and nearly all clustered into Barcelona's industrial belt. Last year it produced 64,000 motorcycles, against 52,000 units in 1976 and 58,000 in 1975. The sector exports nearly half its produtcion, worth Ptas 1.3bn last year, slightly upon 1976's receipts Ptas 1.26bn. But whereas in 1973, when Spanish motorbikes fetched Ptas 845m abroad, and the Barcelona Chamber of Commerce placed the sector 15th in its league table of exporters, the industry has now fallen back to 31st in importance

Last year's increase in production coincided with a sharp fall in demand at home and export stagnation. This left the industry with accumulated stocks which, in the present climate of poor liquidity and expensive credit, most companies are having difficulty financing. The second major problem is the nature of the sector's most common product.

Bultaco, for example, has built its business on a range of attractive and effective sports machines. In fact, it was the CEMOTO fonder, Sen. Francisco Javier Bulto's insistence on this area as the future of the industry that led to the group's separation from the rival Permanyer group

The Spanish industry lags behind its European and Japanese counterparts, with only two manufacturers producing four-speed models

Spanish manufacturers were up in arms three months ago, when it was announced that Yamaha motors might be given import licences to be fitted to locally-manufactured chassis. Although the Japanese threat is widely adduced as a cause of the industry's ills, Japanese penetration of the local market is insignificant. A study produced by the *Madrid financial* daily, Cinco Dias, claims that in the free port Canary Islands Japanese bikes have won the lion's share of the market, but that nationally produced models sell better than European imports. On the Spanish mainland, however, tariffs ensure that national models predominate, while European bikes are the next most popular. The implication is that while, if allowed to, the Japanese would reduce the attraction of European-produced bikes, the Spanish industry could win an important niche for itself if it converts to turning out modern, handsome and economical models for general use.

It is not yet clear what Steyr-Daimler-Puch has in store for CEMOTO. The Austrian group already has a small moped factory in Gijon, and is almost certain therefore to carry out a major switch in CEMOTO policy, providing new resources for technological innovation, and turning out medium-sized models for road use.

What now remains to be seen is to what extent other companies will attempt a similar solution and thereby secure their future.

Swiss bank probe leads to arrest of proprietor

By David Egli

GENEVA, August 29.

THE general manager and sole proprietor of the Anlagebank Zurich AG, which went into voluntary liquidation earlier this month, has been placed in preventive detention by the Zurich police pending further inquiries into suspected criminal transactions.

Mr. Kurt Gratwohl, general manager of the bank since 1956, bought out the other two remaining shareholders in the spring of this year. But within weeks the bank, founded 28 years ago, was rumoured to be in difficulties.

By early summer the Swiss Federal Banking Commission received an auditor's report pointing to serious irregularities in the bank's books. The Commission terminated the bank's authorisation to engage in securities transactions and instructed an accountant to keep a close watch on share capital.

The Commission reported that Anlagebank had insufficient *liquidity and that its assets* were substantially over-valued. Subsequently, a SwFr 25m guarantee by two former shareholders convinced the Banking Commission to allow it to continue. However, on August 16 the bank went into liquidation.

At the end of 1977, Anlagebank's balance-sheet total was SwFr 30m. Share capital totalled SwFr 5m and reserves SwFr 10.5m.

The criminal inquiry which precipitated the arrest of Mr. Gratwohl was initiated at the beginning of this month. The bank was founded in 1950 by Mr. Constant Andretto under the name Andretto Bank.

First-half rise at Rabobank below average for sector

BY CHARLES BATCHELOR

AMSTERDAM, August 29.

THE Dutch agricultural co-operative bank Centrale Rabobank made a 5 per cent increase in net profit in the first half of 1978 on an 11 per cent rise in its balance sheet total. Profit for the year is expected to be at least the same as the Fl 244m in 1977, although the lower rate of profitability in the first half is expected to continue in the current six months.

Net profit of Rabobank rose to Fl 123m ($56.4m) from Fl 117m in the same period of 1977. Profit before tax and provisions was 6 per cent higher at Fl 342m. The bank paid Fl 112m into reserves as a provision for risks compared with Fl 105m. The tax charge was Fl 107m against Fl 101m

Credit granted rose by 11 per cent and was similar to the rate of growth in 1977. New lending in the agricultural sector rose 20 per cent on the already high level of last year. Loans to the non-agricultural sector also rose by one-fifth, while private lending was 9 per cent higher.

Rabobank's net profit increase is well below the average of 22 per cent achieved by the other Dutch banks which have reported so far. It is, however, in line with general balance sheet growth.

Bourse against Bastogi share suspension

MILAN, August 29.

THE MILAN Bourse Committee does not favour the suspension of the share quotations of Bastogi Finanziaria and its subsidiary Beni Stabili until details of the proposed incorporation by Bastogi of Beni Stabili have been announced.

A decision of this sort should have been taken as soon as the rumours of Bastogi's plans started circulating over two months ago, the Committee told the Bourse Commission. A suspension move would create "considerable technical problems," leading inevitably to an unofficial market in the two shares.

Yesterday the boards of both companies announced that they would meet early next month to fix the terms of the deal whereby Beni Stabili would be absorbed by its parent company.

It is generally expected that the move will provide a significant financial boost to Bastogi which currently holds 51 per cent of Beni Stabili.

Although the terms of the deal are still unknown Bastogi is understood to be contemplating an early announcement of an increase in capital, possibly with the backing of a banking consortium. Last year the company was forced to write-off portfolio losses of L45bn.

Agencies

Intershop concentrates on investment in U.S.

BY JOHN WICKS

ZURICH, August 29.

INVESTMENT activity of Intershop Holding AG, of Zurich, was last year focused on the U.S., according to the company's statement for the financial year ended March 31. Total revenues for the undertaking, which specialises in the development of shopping centres, rose by 17.2 per cent to SwFr 10.26m ($5m) and shareholders are to receive a dividend of SwFr 14 per stock unit from available profits of SwFr 4m ($2.38m).

Marton NV, a Curacao subsidiary of Intershop, is to buy a stake in a large-scale shopping centre currently being expanded in Dallas, Texas. Another Intershop affiliate last year acquired the first stage of a new shopping centre at Weslaco, Texas, and has an option on the second phase. At Mount Pleasant, also in Texas, a neighbourhood shopping centre in which the group has a 50 per cent stake was completed in 1977.

In the same state, the Intershop group retains reduced stakes in two shopping centres in the Houston area.

A programme has also been concluded by the Intershop-owned Arbor Properties, of Grand Rapids, with the U.S. company Sun Stop-n-Go Foods for the financing of a chain of convenience grocery stores, and Arbor Properties has acquired 16 sites in Michigan, Ohio, Indiana and New York State. Another Grand Rapids-based subsidiary opened two "Burger King" franchise fast-food restaurants last autumn. A 50 per cent stake is held in a neighbourhood shopping centre in Jackson, Mississippi.

European investments developed "quite satisfactorily," *although their earnings capacity* in terms of Swiss francs barely increased owing to foreign-exchange rate fluctuations.

Norwegian bond raising $190m

STOCKHOLM, Augusct 29.

THE NORWEGIAN government is raising NKr 1bn ($190m) through a five-year bond priced at par. The issue, to be made on the Norwegian market, will carry a coupon of 7.5 per cent.

Last April the government raised NKr 1.5bn on identical terms. The issue is tied both to government financing requirements and to the need to ensure an adequate allowance of paper. The latter allows the banks and insurance institutions to meet their bond investment obligations.

Reuter

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	97½	98¼
AMEV 8pc 1987	94½	95½
Australia 8½pc 1992	94	94½
Australian M. & S. 9½pc '92	95½	96½
Barclays Bank 8½pc 1992	96½	96¾
Bowater 9½pc 1992	[illegible]	99½
Can. N. Railway 8¾pc 1986	95½	96
Credit National 8¾pc 1986	97½	98½
Denmark 8½pc 1984	98	98½
ECS 9pc 1993	99½	100½
ECS 8½pc 1997	93½	94½
EIB 8½pc 1992	96½	97
EMI 9½pc 1989	98¾	99½
Ericsson 8½pc 1989	97½	98
Esso 8pc 1986 Nov.	99	99½
Gt. Lakes Paper 8½pc 1984	95½	99
Hamersley 9½pc 1992	100¾	101½
Hydro Quebec 9pc 1992	97½	98
ICI 8½pc 1987	95½	96½
ISE Canada 9½pc 1986	102½	103½
Macmillan Bloedel 9pc 1992	97½	98½
Massey Ferguson 9¼pc '91	98	98½
Michelin 9½pc 1988	99½	100½
Midland Int. Fin. 8¾pc '92	97½	98½
National Coal Bd. 8pc 1987	93¾	94½
Natl. Westminster 9pc 1986	100¾	101½
Natl. Wstmnstr. 9pc '86 'B'	101¼	102½
Newfoundland 9pc 1989	100	100½
Nordic Inv. Bank 8¾pc 1988	97½	98½
Norges Kom. Bk. 8½pc 1992	95½	96
Norpipe 8½pc 1989	96½	97½
Norsk Hydro 8½pc 1992	95	95½
Oslo 9pc 1988	99½	100½
Ports Autonomes 9pc 1991	98½	98¾
Prov. Quebec 9pc 1993	97	97½
Prov. Saskatchwn. 8¾pc '86	97½	98½
Reed International 9pc 1987	92½	94½
RHM 9pc 1992	94½	95½
Selection Trust 8¾pc 1989	91½	92½
Shell Intl. Fin. 8½pc 1990	93½	95
Skand. Enskilda 9pc 1991	[illegible]	100
SKF 8pc 1987	91½	93½
Sweden (K'dom) 8¾pc 1987	95½	96
United Biscuits 9pc 1989	98	98½
Volvo 8pc 1987 March	93½	94½
NOTES		
Australia 7½pc 1984	93½	94
Bell Canada 7¾pc 1987	95½	96½
Br. Columbia Hyd. 7¾pc '85	93½	94½
Can. Pac. 8½pc 1984	97½	98½
Dow Chemical 8pc 1986	96	96½
ECS 7¾pc 1982	95	95½
ECS 8½pc 1989	94½	95
EEC 7¾pc 1982	95½	96
EEC 7¾pc 1984	94½	95½
Enso Gutzeit 8¾pc 1984	96½	96½
Gotaverken 7¾pc 1982	93½	96
Kockums 8pc 1983	96½	97½
Michelin 8¾pc 1983	98½	99½
Montreal Urban 8¾pc 1981	99½	100
New Brunswick 8pc 1984	96½	97
New Bruns. Prov. 8¾pc '83	98	98½
New Zealand 8¾pc 1986	93½	96½
Nordic Inv. Bk. 7¾pc 1984	94	94½
Norsk Hydro 7¾pc 1982	95½	96½
Norway 7¾pc 1982	94½	95½
Ontario Hydro 8pc 1987	93½	94½
Singer 8¾pc 1982	99	99½
S. of Scot. Elec. 8¾pc 1981	98½	99
Sweden (K'dom) 7¾pc 1982	95½	96
Swedish State Co. 7¾pc '82	95½	96½
Telmex 9½pc 1984	99½	100
Tenneco 7¾pc 1987 May	91½	92½
Volkswagen 7¾pc 1987	94½	95½
STERLING BONDS		
Allied Breweries 10½pc '90	89½	90½
Citicorp 10pc 1993	91½	92½
Courtaulds 9¾pc 1989	89½	90½
ECS 9¾pc 1989	92½	93½
EIB 9¾pc 1988	96½	97½
EIB 9¾pc 1992	92½	93½
Finance for Ind. 9¾pc 1987	90½	91½
Finance for Ind. 10pc 1989	94	95
Fisons 10½pc 1987	97½	98½
Gestetner 11pc 1988	92½	93½
INA 10pc 1988	91½	92½
Rowntree 10½pc 1988	92	93
Sears 10½pc 1988	91½	92½
Total Oil 9½pc 1984	89½	90½
DM BONDS		
Asian Dev. Bank 5½pc 1988	93½	94½
BNDE 6½pc 1986	96½	97½
Canada 4½pc 1983	97½	98½
Den Norske Ind. Bk. 6pc '90	95½	99½
Deutsche Bank 4¾pc 1983	97½	98½
ECS 5½pc 1990	92	93
EIB 5½pc 1990	92½	93½
Elf Aquitaine 5¾pc 1988	93	94
Euratom 5¾pc 1987	97½	95½
Finland 5¾pc 1986	94½	95½
Forsmarks 5¾pc 1990	94½	95½
Mexico 6pc 1985	93½	96½
Norcem 5¾pc 1989	98	99
Norway 4½pc 1983	98½	99½
Norway 4½pc 1983	96	97
PK Banken 5½pc 1988	94½	95½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5¾pc 1988	94	94
Spain 6pc 1988	95	96
Trondheim 5¾pc 1988	94½	95½
TVO Power Co. 6pc 1988	96	97
Venezuela 6pc 1988	94½	95½
World Bank 5¾pc 1990	96½	97½
FLOATING RATE NOTES		
Bank of Tokyo 1984 8½pc	99	99½
BFCE 1984 8 7/16pc	99½	99¾
BNP 1983 8 11/16pc	99½	100½
BQE Worms 1985 9pc	98	98½
CCF 1985 8¾pc	98½	98½
Chase Manhttn. '93 9 5/16pc	98	98½
Creditanstalt 1984 8½pc	98½	99½
DG Bank 1982 9pc	99½	100½
GZB 1981 8 1/16pc	99½	100½
Intl. Westminster 1984 8pc	99½	99¾
Lloyds 1983 8 15/16pc	99½	100½
LTCB 1983 8pc	99½	99¾
Midland Int. FS '87 8 9/16pc	98½	98¾
Midland Int. FS '93 8 7/16pc	98½	99½
Nat. Westminstr. '90 9 5/16pc	98½	99½
OKB 1983 9¼pc	99½	100½
SNCF 1985 9 5/16pc	99	99½
Stand. and Chtrd. '84 8¾pc	98½	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	81½	83
Babcock & Wilcox 7pc '92	116½	117½
Beatrice Foods 4¼pc 1992	101½	103
Beatrice Foods 4¼pc 1992	116½	118
Beecham 6¼pc 1992	109½	110½
Borden 5pc 1992	98	99½
Broadway Hale 4½pc 1987	74½	76
Carnation 4pc 1987	76½	79
Chevron 5pc 1988	135	136½
Dart 4¾pc 1987	82½	84
Eastman Kodak 4½pc 1988	88½	90
Economic Labs. 4¾pc 1987	76	77½
Firestone 5pc 1988	78	79½
Ford 5pc 1988	83½	85
General Electric 4¼pc 1987	88	89½
Gillette 4¾pc 1987	76½	78
Gould 5pc 1987	139	
Gulf and Western 5pc 1988	89	90½
Harris 5pc 1992	233	235
Honeywell 6pc 1986	86	87½
ICI 6¾pc 1992	83	85
INA 6pc 1997	98	99½
Inchcape 6¾pc 1992	112½	114
ITT 4½pc 1987	78½	80
Jusco 6pc 1992	140	141
Komatsu 7½pc 1990	139	[illegible]
J. Ray McDermott 4¾pc '87	148	149
Matsushita 6¾pc 1990	157	158½
Mitsui 7¾pc 1990	130	131
J. P. Morgan 4¾pc 1987	100½	102
Nabisco 5½pc 1988	104½	105
Owens Illinois 4½pc 1987	121	123½
J. C. Penney 4½pc 1987	75½	77
Revlon 4½pc 1987	137½	139
Reynolds Metals 5pc 1988	161	162½
Sandvik 6½pc 1988	110	112
Sperry Rand 4¼pc 1987	97½	99
Squibb 4¼pc 1987	82½	84
Texaco 4¾pc 1988	77	78½
Texas Int. Airlines 7¾pc '93	102	103
Toshiba 6¾pc 1992	132	134
Ty Co. 5pc 1984	75½	77
Ty Co. 5¾pc 1988	106	108½
Union Carbide 4¾pc 1982	90	91½
Warner Lambert 4½pc 1987	80	81½
Warner Lambert 4¾pc 1988	77½	78
Xerox 5pc 1988	75½	77

Source: Kidder, Peabody Securities.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

DIVIDEND NO. 105

A final dividend (No. 105) of 130 cents per share in the currency of the Republic of South Africa has been declared in respect of the year ended 30th June, 1978. This dividend together with dividend No. 104 of 40 cents per share paid in February, 1978 makes the dividend declared out of profits for the year 170 cents per share (1977: 170 cents per share).

The dividend is payable to members registered in the books of the Company at the close of business on 15th September, 1978 and to persons presenting to the London Bearer Reception Office coupon No. 105 detached from share warrants to bearer in terms of a notice to be issued by the London Secretaries and published in October, 1978.

The dividend is declared subject to conditions which can be inspected at or obtained from the company's Registered Office, the office of the London Secretaries (Barnato Brothers Limited of 99, Bishopsgate, London, EC2M 3XE) or the London Bearer Reception Office (40, Holborn Viaduct, London EC1P 1AJ).

Subject to the said conditions, payments by the London Secretaries and the London Bearer Reception Office will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 2nd October, 1978; provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Registered Office or the office of the London Secretaries, as appropriate, on 13th October, 1978.

South African Non-Resident Shareholders' Tax at the rate of 14.79% and United Kingdom Income Tax will be deducted from the dividend where applicable.

The share transfer books and register of members will be closed from 16th to 23rd September, 1978, both days inclusive.

UNAUDITED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 1978

INCOME STATEMENT	Notes	1978 RM's	1977 RM's
Income from investments		26.4	26.5
Net sundry revenue		4.1	4.4
Attributable trading profits of operating subsidiaries, after deducting R21,700,000 (1977—R21,100,000) being depreciation, management fees, interest, taxation and minority share of profits		8.5	7.4
		39.0	38.3
Surplus on realisation of investments less provisions plus reversal of amounts over-provided in previous years	(1)	14.6	2.8
		53.6	41.1
Deduct:		8.2	13.1
Exploration expenditure less recoupments		3.8	3.5
Trading losses of former subsidiary		—	6.2
Net interest paid		2.5	1.6
Depreciation		0.7	0.6
Provision for loss on re-alignment of currencies		1.2	1.2
Profit before taxation and extraordinary items		45.4	28.0
Taxation		0.6	0.2
Profit after taxation but before extraordinary items		44.8	27.8
Less Dividends:		14.7	12.9
Preference dividends	(2)	2.6	0.8
Ordinary dividends			
Interim of 40 cents		2.8	2.8
Final of 130 cents		9.3	9.3
		30.1	14.9
Less: Extraordinary items—provision against losses in Otjihase Mining Company (Proprietary) Limited	(3)	44.4	12.0
Balance transferred (from)/to Reserves		(14.3)	2.9
BALANCE SHEET			
Investments—at cost less provisions		168.9	178.3
(at market or directors' valuation)		(344.1)	(285.8)
Loans—less provisions		29.3	31.3
Marketable properties and mining prospects		6.8	7.6
Fixed assets		60.2	53.5
Mining assets		16.1	11.5
Goodwill arising on consolidation		2.4	3.7
Current assets		150.3	114.5
		434.0	400.4
Deduct: Current liabilities		139.3	113.4
Net assets		294.7	287.0
Financed by:			
Ordinary shareholders' equity		170.2	184.4
Preference share capital and premium		40.0	—
Outside shareholders' interest in subsidiaries		16.0	16.2
Long and medium term loans		63.2	83.1
Deferred taxation		5.3	3.3
		294.7	287.0
Total number of ordinary shares issued		7,105,600	7,105,600
Net asset value per share	(4)	4,882c	4,148c

NOTES

(1) A high level of profits was made on the sale of securities as a result largely of a continuation of the policy of realising liquid investments and normal portfolio management. The net figure of R14.6M also includes:—

(a) A profit of R3.3M on the sale to Anglo American Industrial Corporation Limited of Johnnies' holding in Mondi Paper Company Ltd.

(b) An amount of R3.4M written off the investment in Shangani Mining Corporation Limited to reduce book value to market value.

(c) The reversal of a provision of R6.1M previously made for possible losses on the Orange Fish Tunnel, which is now no longer required following the final settlement which was reached in respect of that contract during the year.

(2) Preference dividends: 1978 on 40,000,000 fixed and variable rate redeemable cumulative preference shares; 1977 on 10,000,000 8.25% cumulative redeemable preference shares.

(3) The extraordinary provision, together with that made in the previous financial year, covers the total write-off of Johnnies' investment in Otjihase Mining Company (Proprietary) Limited, including possible future losses arising from guarantees given in respect of bank loans and the estimated on-going cost of care and maintenance through to December, 1980, during which period the future of the company will be reconsidered.

(4) In calculating net asset value, the excess of market or directors' valuation of subsidiary companies over their net book value has been included.

On behalf of the Board,
ALBERT ROBINSON }
F. J. L. WELLS } DIRECTORS

Head Office and Registered Office,
Consolidated Building,
cnr. Fox and Harrison Streets,
(P.O. Box 590),
JOHANNESBURG.
28th August, 1978.

NOTICE OF REDEMPTION

to the holders of Debentures payable in American Currency of the issue designated

9¼% Sinking Fund Debentures Series BQ due October 1, 1985
(herein called "Debentures") of the

QUEBEC HYDRO-ELECTRIC COMMISSION

PUBLIC NOTICE IS HEREBY GIVEN that the Quebec Hydro Electric Commission intends to, and will redeem for SINKING FUND PURPOSES on October 1, 1978 pursuant to the provisions of the Debentures, the following debentures as indicated, of the above-mentioned issue, at 100% of the principal amount plus accrued interest to the redemption date, namely:

Debentures bearing the Prefix BQs

7	897	1766	2663	3538	4428	5315	6199	7088	7967	8840	9732	10608	11493	12382	13258	14150
34	910	1787	2684	3559	4446	5333	6217	7096	7984	8858	9745	10625	11505	12399	13275	14168
46	928	1804	2696	3576	4458	5349	6236	7108	7999	8875	9752	10643	11523	12418	13296	14175
68	947	1821	2704	3597	4476	5366	6247	7124	8016	8893	9770	10666	11541	12435	13302	14190
89	963	1838	2731	3616	4493	5384	6265	7142	8038	8907	9789	10685	11559	12450	13324	14204
100	984	1860	2746	3627	4503	5398	6286	7161	8048	8925	9809	10699	11577	12468	13342	14221
117	997	1878	2806	3640	4521	5412	6300	7179	8058	8942	[illegible]	10707	11596	12484	13357	14238
142	1022	1894	2819	3653	4536	5430	6318	7187	8077	8960	9845	10725	11614	12497	13379	14256
145	1036	1909	2844	3670	4558	5449	6336	7209	8085	8975	9862	10746	11631	12515	13394	14278
169	1045	1935	2865	3688	4574	5464	6349	7227	8113	8997	9879	10755	11650	12529	13404	14293
184	1057	1949	2877	3708	4592	5482	6368	7246	8134	9012	9898	10773	11668	12547	13421	14303
191	1084	1967	2889	3721	4610	5497	6387	7262	8160	9029	9917	10792	11682	12560	13443	14327
218	1098	1986	2914	3735	4633	5510	6395	7282	8162	9046	9933	10813	11696	12577	13454	14348
234	1109	2000	2933	3757	4649	5528	6414	7297	8181	9054	9949	10830	11721	12599	13473	14370
249	1124	2024	2941	3763	4666	5547	6430	7310	8195	9077	9962	10846	11739	12608	13498	14382
267	1150	2037	2952	3778	4681	5562	6446	7330	8212	9096	9981	10859	11747	12625	13505	14392
279	1163	2049	2965	3809	4695	5580	6464	7348	8231	9115	9998	10872	11766	12649	13523	14410
294	1184	2064	2971	3826	4713	5600	6480	7366	8248	9133	10003	10889	11785	12664	13541	14425
316	1200	2086	2980	3832	4731	5615	6495	7383	8259	9149	10022	10909	11796	12682	13559	14443
334	1223	2098	2991	3855	4749	5631	6512	7399	8277	9160	10044	10927	11818	12698	13578	14457
346	1231	2112	3000	3867	4762	5646	6531	7412	8298	9179	10062	10944	11836	12712	13597	14478
358	1249	2135	3009	3870	4783	5659	6550	7431	8316	9198	10080	10965	11845	12731	13602	14489
377	1260	2148	3021	3914	4798	5677	6568	7448	8329	9216	10095	10982	11863	12748	13620	14505
396	1273	2161	3035	3927	4815	5695	6584	7464	8344	9234	10115	10998	11881	12769	13644	14523
407	1292	2183	3063	3945	4834	5713	6599	7482	8363	9250	10134	11002	11899	12775	13652	14541
426	1311	2196	3080	3964	4850	5732	6613	7497	8381	9268	10148	11008	11917	12796	13669	14554
450	1320	2208	3098	3972	4867	5748	6628	7521	8397	9277	10156	11047	11935	12813	13696	14579
465	1342	2225	3119	3995	4885	5767	6646	7535	8418	9295	10174	11063	11948	12830	13708	14596
481	1358	2243	3128	4016	4899	5784	6663	7549	8431	9313	10192	11078	11966	12846	13729	14607
490	1375	2265	3146	4029	4910	5796	6681	7567	8448	9332	10211	11096	11983	12857	13746	14625
511	1393	2280	3162	4044	4928	5814	6698	7586	8467	9350	10239	11111	11997	12873	13764	14644
527	1402	2300	3177	4063	4947	5832	6720	7599	8486	9365	10250	11129	12012	12894	13782	14656
544	1430	2324	3194	4080	4966	5849	6739	7616	8500	9383	10268	11147	12030	12903	13800	14679
566	1445	2340	3218	4091	4984	5867	6750	7634	8517	9399	10284	11169	12047	12923	13818	14698
580	1463	2347	3230	4113	4994	5885	6767	7650	8535	9406	10297	11177	12063	12942	13823	14710
596	1485	2373	3247	4120	5019	5898	6786	7668	8549	9424	10302	11195	12081	12955	13842	14722
605	1500	2384	3251	4141	5038	5914	6800	7686	8557	9442	10320	11213	12096	12979	13865	14746
621	1518	2397	3280	4159	5050	5929	6819	7696	8568	9460	10348	11232	12114	12999	13884	14757
643	1534	2405	3293	4172	5068	5944	6837	7713	8594	9477	10361	11250	12132	13011	13897	14774
674	1545	2416	3307	4184	5085	5962	6848	7732	8609	9498	10378	11265	12149	13029	13909	14799
690	1569	2431	3331	4208	5099	5980	6866	7745	8628	9510	10393	11284	12167	13048	13927	14817
700	1576	2462	3350	4223	5116	5993	6884	7762	8646	9528	10412	11300	12185	13066	13949	14836
718	1600	2473	3364	4244	5134	6011	6899	7781	8664	9546	10430	11314	12200	13084	13961	14848
732	1616	2487	3376	4265	5148	6029	6914	7797	8682	9565	10449	11331	12218	13100	13975	14860
745	1630	2514	3392	4279	5167	6047	6932	7815	8697	9583	10467	11349	12236	13118	13994	14879
766	1642	2525	3413	4294	5186	6060	6947	7833	8714	9598	10485	11356	12248	13136	14004	14898
787	1673	2549	3426	4311	5198	6078	6965	7846	8732	9620	10496	11373	12256	13149	14022	14909
800	1690	2560	3448	4322	5216	6094	6983	7853	8747	9638	10503	11392	12274	13170	14048	14924
812	1699	2585	3460	4340	5233	6114	7000	7872	8765	9649	10524	11410	12292	13188	14066	14942
828	1715	2597	3477	4366	5247	6133	7016	7898	8779	9668	10546	11428	12310	13197	14084	14956
845	1729	2612	3489	4378	5268	6150	7034	7912	8798	9686	10555	11446	12328	13209	14098	14972
863	1749	2632	3513	4393	5285	6164	7047	7930	8804	9695	10573	11464	12346	13227	14116	14996
886	1751	2640	3529	4417	5298	6182	7068	7945	8822	9718	10594	11482	12363	13246	14135	

Debentures to be so redeemed, will become due and payable in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts in said United States of America, at the office of the Paying Agent, Bank of Montreal Trust Company in the Borough of Manhattan, City and State of New York, United States of America or at any of the offices of the following Paying Agents: Bank of Montreal (Main Office) in the City of Montreal, Canada, Bank of Montreal in London, England, S. G. Warburg & Co. Limited in London, England, Kredietbank N.V. in Brussels, Belgium, the main offices of Commerzbank Aktiengesellschaft and Westdeutsche Landesbank Girozentrale in Dusseldorf, Federal Republic of Germany, Commerzbank Aktiengesellschaft in Frankfurt, Federal Republic of Germany Kredietbank S.A., Luxembourgeoise in Luxembourg, Grand Duchy of Luxembourg and Banque Francaise de Depots et de Titres, Paris, France, upon presentation and surrender of Debentures bearing the above numbers with all coupons maturing after October 1, 1978 attached.

From and after October 1, 1978, interest on the debentures to be so redeemed will cease and interest coupons maturing subsequent to that date will be void.

Dated at Montreal
This 29th day of August 1978.

Georges Lafond, Treasurer

INTL. FINANCIAL AND COMPANY NEWS

NEW ZEALAND SECURITIES INDUSTRY

Wider powers of controls

BY DAI HAYWOOD IN WELLINGTON

A STRING of far reaching financial collapses involving thousands of small investors in New Zealand over the past few years has led to the setting up of a Securities Commission.

The Commission, which will come into existence this year or early next year, will have wide powers to supervise and control the issuing of and dealing in securities.

The Minister of Justice, Mr. David Thomson, has proposed giving the Commission far reaching powers to investigate company dealings and securities, including the authority to examine the books, subpoena witnesses and to hold public hearings. No arm of the New Zealand Government has previously possessed these powers.

Legislation to control securities was introduced into Parliament last year. Parliament's Law Reform Committee has since heard extensive evidence and will report back within the next few weeks on the final provisions of the new legislation.

It was the 1976 collapse of the Securitibank Group of forty-four companies which were heavily involved in the commercial bills market which forced the Government to take action.

Securitibank, through three of its subsidiaries, used two variations of the normal bill of exchange procedure to attract funds into the bills market from private investors who did not normally lend in the market.

In the first variation, bills were not endorsed by independent outside dealers, as is normal. In the second, small investments were accepted by the group to finance larger lendings made by the group to outside borrowers.

The company operated on the assumption that neither type of transaction was covered by existing controls on advertising, trusteeship and administration of securities.

It also operated outside the scope of regulations limiting interest rates, thus holding a lucrative advantage over conservative dealers which enabled a rapid expansion. But when the interest restrictions were lifted in 1976, Securitibank found itself, in the words of a Government-appointed working party, in the classic position of the short borrower lending long.

According to Mr. David Thomson, Minister of Justice, there is no question of relying on self-regulation. That works best, he said, where there is a government presence

The main operators in the bills market had been suspicious of Securitibank and were therefore not involved in the losses which followed its collapse. The main sufferers were public investors, most of the small ones, unskilled in bills dealings.

Last year the Government proposed a bill imposing strict controls on advertising securities to the public. The controls were similar to those applying to shares and debentures since the 1950's, and to deposits and syndicates more recently.

The legislation was applied virtually to all securities including "any interest or right to participate in the capital, assets, property, earnings or royalties of any person." Including, of course, companies and associations — "any right to be paid money and any interest or right to participate in a contributory scheme."

Specific exemptions were granted for life insurance, non-participatory proprietary rights to land and chattels, shares in flat or office owning companies, non-contributory mortgages below $50,000, unit trusts — and the legitimate bills market.

Any offer of securities to a member of the public had to be a prospectus containing detailed statements about the issuing company and its directors, the securities offered, detailed financial accounts and audited profit and loss reports for all subsidiaries and the parent company.

All other advertising of securities was to be banned unless it contained strictly limited information relating directly to a prospectus. The ban included offers of advice designed to bring investment to a particular company.

The Bill also insisted on trustees being appointed for the issues of debentures, bonds, notes and certificates of deposit and statutory supervisors for participatory securities.

Regulatory powers, including that of discretionary exemptions, were vested in the Registrar of Companies.

The Bill was widely welcomed by the business community for its intentions. But it was widely criticised as being too restrictive and detailed.

It was felt the requirement that prospectuses be registered within three months of the balance sheet dates would effectively exclude some companies from issuing securities at all and would require quarterly balances for dealers.

A requirement for a daily cash flow record was also thought to be impossible.

A string of organisations, from church charities to lawyers, made pleas for their special position in the lending market.

The business and legal communities argued it would be better and more equitable to leave the details to the discretion of an independent commission.

In May this year the Minister introduced an amendment setting up a five man Securities Commission. They would be drawn from the private sector to take over the supervisory and regulatory functions and advise the Government on company and securities law.

It is obvious that the Commission will be given wide discretion and some of the rigidity removed from the earlier proposed Bill. It is understood that substantial changes have been made to the proposed legislation and Mr. Thomson himself has said that "one virtue of the Commission is that it will permit greater flexibility."

It is clear, however, there will be different regulations under which the Commission will work. There is no question, according to Mr. Thomson of relying on self-regulation.

"Self regulation," he said, "works best when there is a Government presence."

Hong Kong shipowner earns less

By Ron Richardson

HONG KONG, August 29.

INTERNATIONAL MARITIME Carriers (Holdings), a medium-sized Hong Kong shipowner, earned a sharply lower net profit of HK$19.74m (U.S.$4.2m), in the year to March 31. This compares with HK$21.8m in the nine months to March 1977, which was a transitional period as the company altered its accounting date.

The result surprised shipping circles, as the company mainly operates bulk carriers transporting timber from south-east Asia to Japan. Operating conditions in this trade have been stable in comparison with those in the deeply depressed tanker trade, where most shipping operators have run into financial trouble.

Directors gave no reasons for the earnings setback. A final dividend of 26 cents a share is being paid, which brings the total payout for the year to 38 cents. This compares with 29 cents for the previous nine-month period.

● Grindlay Brandts Asia, the local offshoot of Grindlays Bank, has arranged a U.S.$32m medium-term loan for the Thai government.

Co-managers of the issue are Lloyds Bank International and LTCB Asia. The funds will be subscribed by eight international and regional banks. No details of terms were released.

Singapore Finance bid

By Our Own Correspondent

SINGAPORE, August 29.

THE SCRAMBLE for control of Singapore Finance reached new heights here yesterday with the announcement by Hong Leong Finance that it had taken its holding in SF up to 34.17 per cent through the purchase of further shares.

The statement from Hong Leong follows yesterday's agreement between "certain shareholders" in SF and a major local bank, the United Overseas Bank, that the latter would purchase 33.69 per cent of SF via a three-for-four share swap.

Hong Leong is offering S$2.60 a share whereas the UOB bid is worth something over S$3 a share on the basis of present share price values. The UOB bid is conditional on at least 50 per cent acceptance in contrast to the rival offer which lays down no conditions in respect of minimum acceptance levels.

The shares which UOB has agreed to acquire are believed to be held by Mr. Tan and other prominent directors of Singapore Finance, which is one of the larger local finance companies with a capital of 12m shares, or S$12m. It has gross assets exceeding S$115m

Fujisash faces profits charge

BY CHARLES SMITH

TOKYO, August 29.

THE JAPANESE Finance Ministry today filed a complaint with the Tokyo public prosecutors office against Fujisash Industries and Fujisash Sales Company for reporting an alleged Y43bn ($224m) worth of "fictitious profits" between 1976 and 1977.

If the charges are investigated and proved, the Fujisash "window dressing" operation would be by far the largest in the history of Japanese business, exceeding the previous record of Y7.2bn worth of fictitious profits reported by Sanyo Special Steel in the mid-1960s.

The Finance Ministry also charges the Fujisash group with paying out about Y180bn worth of illegal dividends between 1973 and 1976. The payments were illegal because Japanese commercial law forbids a company to pay dividends when it is incurring losses, as Fujisash is now known to have been doing at the time.

The two Fujisash companies dominated Japan's fast growing aluminium sash industry during the 1960s until they were edged out by YKK, the top zip fastener manufacturer which diversified into sash making. After the 1973 recession in the building industry drastically reduced the demand for sashes, the two companies began to find themselves in trouble. Both are now undergoing financial reconstruction at the hands of commercial banks.

The president of Fujisash, Mr. Yuji Sano, who is mentioned in the Finance Ministry's complaint, resigned early this year and has been replaced by an official seconded from Saitama bank, the group's main bank. Fujisash has been granted interest rate and debt repayment deferment by its bankers. The two companies are expected to be delisted from the Tokyo Stock Exchange by the end of this year.

W R Carpenter improves its bid for Dalton

BY JAMES FORTH

SYDNEY, August 29.

W. R. CARPENTER AND COMPANY has lifted its takeover bid for paper merchant and food group, Dalton Brothers Holdings from A$1.40 cash a share to A$1.60. Carpenter, which has held a 36 per cent shareholding in Dalton for many years, announced an offer for the entire capital back in May, but it has been strongly resisted by the Dalton Board, which has been selling some assets and has proposed a capital return of 20 cents a share.

The Carpenter directors indicated today that they intend to adopt a tougher approach. In addition to lifting the offer price they stated that they would vote against the capital return at Dalton's annual meeting on October 3. As the proposal needs a 75 per cent vote it seems almost certain that it will be rejected. At the same time the Carpenter Board said that it intends to exercise the degree of control of Dalton that it regards as commensurate with the size of its stockholding.

At the same time Carpenter today began buying Dalton shares on the market at its new offer price of A$1.60. It picked up only 12,600 shares in the first day, equal to only 0.13 per cent of Dalton's capital but is hopeful that the tempo of sales will pick up. Carpenter is presumably hoping that it may be able quickly to build its stake to just over 50 per cent of Dalton, which should enable it to then succeed with its offer. If this proves more difficult than expected, a Board contest could well ensue at the annual meeting.

OCBC profits sharply ahead for six months

By H. F. Lee

SINGAPORE, August 29.

AFTER TAX profit of the leading Singapore bank, the Overseas Chinese Banking Corporation (OCBC) surged by 24 per cent to S$21.7m for the six months ended June, 1978. Net profit at the bank itself was 20 per cent higher at S$14.43m.

The group has declared an interim gross dividend of 5 per cent.

OCBC's strong performance is in line with the generally buoyant condition enjoyed by all major Singapore banks this year. The Overseas Union Bank has also reported an increased profit with a rise of about 16 per cent to S$12.86m for the six months ended June, 1978. Pre-tax profit at the bank increased by 17 per cent to S$10.26m.

Dunlop Malaysia first half rise

BY WONG SULONG

KUALA LUMPUR, August 29.

FIRST-HALF pre-tax profits of Dunlop Malaysia Industries rose strongly by 38 per cent to 17.27m ringgits ($7.5m), with sales rising by 17 per cent to 83m ringgits ($36m).

The company said it expects a net profit of 8.8m ringgits, and it is raising its interim dividend to 10 per cent, compared with 6 per cent previously.

The results for the second half are expected to be about the same as the first half, with higher raw material prices neutralising any advantage gained from increased sale volume.

The company enjoyed improved market demand, both locally and overseas, especially for its heavy tyres for trucks. In addition, its golf ball manufacturing division has reversed its losses and is now profitable.

From next month Tunku Dato Ahmad Yahya, managing director, will relinquish his post to take up the position of deputy chief executive of Sime Darby Holdings. His appointment has further fuelled rumours that DMI is a target for a bid from Sime.

Meanwhile, it is reported that Goodyear Malaysia Berhad is currently embarking on a 35m ringgit expansion of its tyre factory outside Kuala Lumpur, and expects to increase its annual production of rubber products by nearly 60 per cent to 15m kilogrammes by 1980.

The company said the expansion would increase its factory space by 30 per cent

IDB joint funding

By L. Daniel

TEL AVIV, August 29.

THE ISRAEL Discount Bank (the country's third largest) and the Israel Discount Bankholding Company (IDB) have jointly published a prospectus for a new issue designed to raise I£675m (close to $40m). It is to consist of one million units, each of them comprising I£30 of ordinary shares of the Bank, I£300 of debentures, 80 per cent linked to the cost of living index and also convertible into IDB shares, and I£100 options, series no. six.

Sumitomo Corporation

SUMITOMO CORPORATION, a member of the Sumitomo group, reported parent company sales of Y5.88 trillion (million million) for the year to March 31 last, not Y588 trillion as reported here last week, against Y5.82 trillion previously.

CBA offshoot lifts earnings by a fifth

BY OUR OWN CORRESPONDENT

SYDNEY, August 29.

GENERAL Credits Holdings, the finance company arm of the Commercial Bank of Australia, boosted earnings by 22 per cent from A$12.0m to A$14.68m in the year to June 30. Gross revenue for the year rose 21.5 per cent to A$124m.

The directors said that in accordance with past practice all debts considered bad were written off. Net losses and write-offs totalled A$2.65m, or only 0.3 per cent of net receivables at balance date.

The interest cost of funding non-income earning advances was A$2.2m. At June 30 total provisions stood at A$9m of which A$7m was a provision against doubtful debts compared with A$6.82m in the previous year, and A$2m against a diminution in the value of investments.

Capel Court Corporation, a leading merchant bank, boosted profit 30 per cent from A$2.18m to A$2.85m last year after an improvement from all main areas of activity. Pre-tax earnings rose from A$3.5m to A$6.0m. Tax jumped from A$1.3m to A$2.8m while extraordinary items reduced profits by a further A$352,734.

The extraordinary items comprised a complete write-off of goodwill resulting from a change in accounting practice, and an adjustment to the future income tax benefit account resulting from the sales of shares held by the parent company to a subsidiary.

The profit benefited from the downward movement in interest rates throughout the year, which resulted in a rise in value of securities held by the money market subsidiary. Money market services, corporate finance and investment services each contributed to the year's results. Corporate lending facilities reached record levels despite increased competition from overseas owned bank affiliates.

Dividend for the year is raised from 6.75 cents a share to 7.5 cents, including a final payout of 4 cents. Shares issued in the recent one for four cash issue will receive the final dividend.

* * *

Bradmill Industries, the textile group in which Tootal of the U.K. holds 40 per cent, managed only a 5 per cent increase in profit, from A$3.8m to A$4m in the year to June 30. Pre-tax earnings rose 25 per cent but the tax provision jumped from A$1.19m to A$2.33m.

The directors cited three main factors also affecting earnings—the power strike in Victoria late last year, which was estimated to have reduced pre-tax profit by more than $A1m, a serious fire which disrupted production for some months at one of the company's major Victorian textile mills and depressed trading conditions in textiles and garments throughout the world. Market and other development costs incurred by the overseas subsidiaries amounting to A$700,000 were written off.

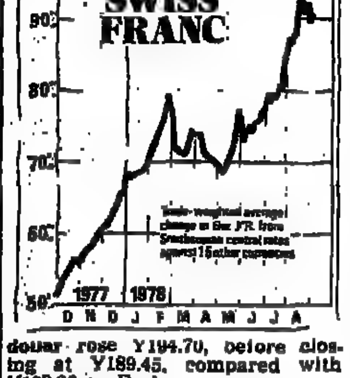
The directors said that discussions were nearing completion regarding the acquisition by Bradmill of Tootal's Australian activities. This was mooted six months ago when Tootal acquired 40 per cent in Bradmill.

It was expected the proposal would be completed soon and the directors said they expected the results of Bradmill would be considerably improved by a merger of activities.

CURRENCY, MONEY and GOLD MARKETS

Dollar falls on trade figures

News of a sharp increase in the U.S. trade deficit last month pushed the dollar down to its lowest level of the day in terms of all major currencies, in late European trading yesterday. Earlier in the day trading had been cautious ahead of the figures, but a rise to $2.99bn from $1.6bn still came as something of a shock to the market. The U.S. currency touched a high point of SwFr 1.7090 against the Swiss franc, but fell to a closing level of SwFr 1.6350, compared with SwFr 1.68 on Friday. The dollar rose to DM 2.0340 in terms of the D-mark, before finishing at DM 1.9910, compared with DM 2.0090 before the long weekend. In terms of the yen, the dollar rose Y194.70, before closing at Y189.45, compared with Y192.20 on Friday.



The dollar's trade-weighted depreciation since the Washington Currency Agreement of December 1971, as calculated by Morgan Guaranty of New York, widened to 8.9 per cent from 8.4 per cent on Monday and 8.7 per cent on Friday.

Sterling's trade-weighted index, on Bank of England figures, rose to 62.4 from 62.2, after standing at 62.2 at noon and in early trading.

The pound opened at $1.9125-$1.9140 against the dollar, and fell to a low of $1.9100-1.9110 in the morning. By lunch it had recovered slightly to around $1.9175, and continued to improve as trading became increasingly nervous ahead of the U.S. trade figures. Sterling was about $1.9190-1.9200 before the figures were announced, but then rose sharply to $1.9445-1.9465 at the close, a rise of 135 cents from Friday's close.

NEW YORK—Publication of the trade figures prompted selling on the New York foreign exchange market causing the dollar to slip by nearly 5 per cent against the Swiss franc and between 2 and 3 per cent against other major currencies. The Federal Reserve Board was not much in evidence during trading although some dealers thought the authorities did step in to try to stabilise the dollar/mark rate.

After late morning hectic selling trading was much quieter in the late afternoon when the dollar was quoted against the mark at DM 1.9850 (DM 2.0245 last night), against the Swiss franc SwFr 1.6325 (SwFr 1.6950), against the yen Y189.20 (Y193.05) and against sterling $1.9460 ($1.9260).

FRANKFURT—The dollar fell sharply in hectic trading, following news that the U.S. trade deficit had risen to $2.99bn in July from $1.6bn in June. The U.S. currency fell to DM 2.0095 after the news, compared with DM 2.0245 just before the announcement. Earlier in the day the dollar was fixed at DM 2.0224 against the D-mark, compared with DM 2.0166 previously, and the Bundesbank did not intervene.

The D-mark's trade-weighted revaluation index rose to 146.6 from 146.5, on Bundesbank figures up 1.5 per cent from the end of 1977.

PARIS—The announcement of a wider trade deficit in the U.S. in July than in June resulted in a sharp fall in the dollar, although volume was light. The market appeared to be taken by surprise by the size of the deficit, with some dealers expecting an improvement on the $1.6bn deficit in June. The dollar fell to FFr 4.3750 against the French franc, from its fixing level of FFr 4.4170, and an early morning rate of FFr 4.4370.

MILAN—At the time of the fixing, the dollar gained ground against the lira, rising to L845.3, from L842.95 on Monday, but lower than the early morning rate of L847.5.

TOKYO—The dollar closed at Y194.30 against the yen, compared with Y193.30 at the opening, and Y192.45 at Monday's close.

THE POUND SPOT

Aug. 29	Bank rate %	Day's Spread	Close
U.S. $	7¾	1.9100-1.9475	1.9445-1.9465
Canadian $	8	2.1950-2.2375	2.2540-2.2560
Guilder	4½	4.19½-4.22	4.20½-4.21½
Belgian F.	6	60.80-61.20	61.05-61.15
Danish K.	8	10.65-10.70	10.68-10.70
D-Mark	3	3.86½-3.90	3.87-3.88
Port Esc.	18	87.20-89.20	88.50-89.00
Span. Pes.	8	142.00-144.00	143.80-143.95
Lira	11½	1,615-1,636	1,634-1,635
Nrwgn. K.	7	10.17-10.32	10.30-10.32
French Fr.	9½	8.47-8.50	8.48¾-8.49¾
Swedish Kr.	6½	8.59-8.65	8.61½-8.62½
Yen	3½	366-370	368-370
Austria Sch	4½	27.95-28.20	28.05-28.15
Swiss Fr.	1	3.17-3.27	3.17-3.19

Belgian rate is for convertible francs. Financial franc 63.10-63.20.

FORWARD AGAINST £

One month	% p.a.	Three months	% p.a.
0.40-0.30c pm	2.16	1.27-1.17c pm	2.51
0.42-0.32c pm	1.99	1.15-1.05c pm	1.99
2½-1½ c pm	5.70	6⅛-5⅛c pm	5.58
20-10 c pm	2.95	60-50c pm	3.61
1½-2¼ ore dis	−1.68	3½-5½ ore dis	−1.68
3-2 pf pm	7.74	8-7 pf pm	7.74
90-190 c dis	−18.95	200-500 c dis	−15.77
50-150 c dis	−8.34	150-250 c dis	−5.56
4-6 lire dis	−3.67	12-16 lire dis	−3.50
1 ore pm-1 dis	0.87	5¼-1¼ ore pm	1.97
2⅛-1⅛ c pm	2.83	5¼-4¼ c pm	2.36
2½-2 ore pm	2.44	6¼-4¼ ore pm	2.67
2.95-2.60 y pm	9.19	8.15-7.80 y pm	8.64
17-7 gro pm	5.12	36-26 gro pm	4.41
3¼-2¼ c pm	10.38	8¾-7¾ c pm	10.38

Six-month forward dollar 2.37-2.27c pm. 12-month 4.45-4.35c pm.

THE DOLLAR-SPOT

August 29	Day's spread	Close
Canad'n $	0.8698-0.8708	0.8698-0.8701
Guilder	2.1915-2.2015	2.1915-2.1930
Belgian Fr	31.82-31.94	31.82-31.84
Danish Kr	5.5300-5.5600	5.5585-5.5600
D-Mark	2.0230-2.0340	2.0230-2.0240
Port. Es	—	45.95-46.20
Lira	845.35-847.90	845.35-845.65
Nrwgn. Kr	5.3010-5.3215	5.3010-5.3025
French Fr	4.4205-4.4390	4.4205-4.4230
Swedish Kr	4.4800-4.4970	4.4800-4.4815
Yen	193.50-194.25	193.90-194.10
Austria Sch	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]

* U.S. cents per Canadian $.

FORWARD AGAINST $

One month	% p.a.	Three months	% p.a.
0.03-0.01c dis	−0.29	0.14-0.11	−0.57
0.78-0.73c pm	4.26	1.80-1.75c pm	3.25
0.04-0.02c pm	1.38	0.11-0.08c pm	1.19
—			
0.93-0.88pf pm	5.46	2.69-2.64pf pm	5.30
—			
4.10-4.50lire dis	−6.44	12.5-13.25lire dis	−6.13
—			
0.22-0.12c pm	0.62	0.10-0.20c dis	−0.11
—			
1.20-1.05y pm	7.46	3.05-2.90y pm	6.28
—			
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

August 29	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwegian krone	[illegible]	[illegible]
Peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

CURRENCY MOVEMENTS

August 29	Bank of England Index	Morgan Guaranty changes %
Sterling	(a)	[illegible]
U.S. dollar	(a)	[illegible]
Canadian dollar	(a)	[illegible]
Austrian schilling	(a)	[illegible]
Belgian franc	(a)	[illegible]
Danish kroner	(a)	[illegible]
Deutsche Mark	(a)	[illegible]
Swiss franc	(a)	[illegible]
Guilder	(a)	[illegible]
French franc	(a)	[illegible]
Lira	(a)	[illegible]
Yen	(a)	[illegible]

(a) Unavailable due to Bank Holiday. Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Aug. 29	£	$		Note Rates
Argentina Peso	1,594-1,596	819.52-821.58	Austria	27.30-28.30
Australia Dollar	1.6820-1.6860	0.8646-0.8662	Belgium	62½-63½
Finland Markka	[illegible]	[illegible]	Denmark	10.60-10.75
Brazil Cruzeiro	35.52-36.32	18.15-18.57	France	8.40-8.52
Greece Drachma	70.94-70.96	36.465-36.474	Germany	3.80-3.90
Hong Kong Dollar	[illegible]	[illegible]	Italy	1620-1650
Iran Rial	131-137	67.33-70.419	Japan	370-380
Kuwait Dinar (KD)	0.521-0.531	0.2678-0.2728	Netherlands	4.13-4.23
Luxembourg Franc	61.05-61.15	31.380-31.452	Norway	10.14-10.24
Malaysia Dollar	4.46-4.48	[illegible]	Portugal	85-92
New Zealand Dollar	[illegible]	[illegible]	Spain	142-148½
Saudi Arab. Riyal	6.50-6.60	3.338-3.390	Switzerland	3.15-3.25
Singapore Dollar	[illegible]	[illegible]	United States	[illegible]
South African Rand	[illegible]	[illegible]	Yugoslavia	39.00-42.00

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

Aug. 29	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.946	3.875	369.0	8.495	3.180	4.215	1635.	2.235	61.10
U.S. Dollar	0.514	1.	1.992	189.7	4.366	1.635	2.166	840.1	1.149	31.41
Deutsche Mark	0.258	0.502	1.	95.23	2.192	0.821	1.087	421.8	0.577	15.77
Japanese Yen 1,000	2.710	5.272	10.50	1000.	23.01	8.618	11.42	4430.	6.057	165.6
French Franc 10	1.178	2.291	4.563	434.5	10.	3.744	4.960	1925.	2.632	71.98
Swiss Franc	0.314	0.612	1.219	116.0	2.671	1.	1.325	514.0	0.703	19.21
Dutch Guilder	0.237	0.462	0.920	87.60	2.016	0.755	1.	388.0	0.531	14.50
Italian Lira 1,000	0.612	1.190	2.371	225.8	5.196	1.946	2.577	1000.	1.367	37.38
Canadian Dollar	0.447	0.870	1.734	165.1	3.800	1.423	1.885	731.3	1.	27.34
Belgian Franc 100	1.637	3.184	6.342	603.9	13.90	5.205	6.894	2675.	3.658	100.

EURO-CURRENCY INTEREST RATES*

Aug. 29	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	10-10½	8¼-9¼	8⅛-8⅝	1-2	⅜-⅝	3¼-3½	7-7¼	9-12	—	10⅛-12⅛
7 day's notice	10¾-11¼	8¼-9¼	8¼-8½	2½-3½	1-1¼	3¼-3½	7⅛-7⅜	13-15	8⅛-8⅜	0-2
Month	11⅛-11⅜	8⅜-8¾	8⅝-9	4⅝-4⅞	1⅛-1⅜	3⅜-3⅝	8⅜-8⅝	12⅛-13⅛	8⅛-8⅜	1⅛-1⅜
Three months	11¼-11⅝	8¾-9⅛	8⅞-8⅞	5⅜-5⅝	1⅛-1⅜	3⅜-3½	8⅞-9	13⅛-14⅛	8⅝-8¾	2⅛-2⅜
Six months	11¾-12⅛	9-9⅜	9-9¼	6-6¼	1¼-1½	3⅜-3⅝	9⅛-9⅝	13¾-14¾	9⅛-9⅛	2⅛-2⅜
One year	11¾-12⅛	9⅛-9⅝	9⅛-9⅝	6-6¼	1⅛-1⅜	3½-3⅞	9⅞-10⅞	14-15	9⅛-9¼	2⅛-2⅜

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.35-8.45 per cent; three months 8.55-8.65 per cent; six months 8.85-8.95 per cent; one-year 9.00-9.10 per cent.

Long-term Eurodollar deposits: two years 9¼-9⅜ per cent; three years 9⁵⁄₁₆-9⁷⁄₁₆ per cent; four years 9¼-9⅜ per cent; five years 9⁵⁄₁₆-9⁷⁄₁₆ per cent nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Dutch and Belgian rates ease

The official call money rate in Amsterdam was cut to 1 per cent from 2 per cent yesterday, following an easing in money market conditions as a result of Government disbursements to the municipalities. The rate was raised to 2 per cent from 1 per cent last Friday. At the same time the one-month deposit rate has fallen to 5-5½ per cent from 5¾-6¼ per cent, and the three-month to 6-6½ per cent from 6½-6¾ per cent. Six-month money was unchanged at 6¾-7 per cent.

There was also an easier trend in Belgium, with the rate on four-month bond fund papers falling to 7.1 per cent from 7.25 per cent at yesterday's auction by the Belgian National Bank. Rates on Treasury certificates were unchanged at 6.75 per cent for one-month; 6.9 per cent for two-month; and 7 per cent for three-month. The reduction in the bond-fund rate was probably intended to bring the rate into line with Treasury paper.

BRUSSELS—Deposit rates for the Belgian franc (commercial) rose to 6¾-7 per cent from 6⅝-6¾ per cent for one-month; and to 7¼-7½ per cent from 7-7¼ per cent for three-month. Six-month funds were quoted at 7¼-7½ per cent, compared with 7¼-7⅜ per cent, and 12-month at 7½-7¾ per cent, compared with 7¼-7½ per cent.

FRANKFURT—Call money was unchanged at 3.45 per cent; one-month at 3.5 per cent; three-month at 3.7 per cent; and six-month at 4.15 per cent.

HONG KONG—The money market was tight with call and overnight business dealt at 5¾ per cent and 5⅞ per cent respectively.

ROME—Italy will offer one trillion lira of Treasury bills today at prices equal to those fixed at the August auction last week. Half will be six-month bills, and the rest 12-month. Offering prices will be 94.55 per cent for six-month, giving an annual yield of 11.53 per cent, and 88.85 per cent for 12-month, for a yield of 12.55 per cent.

TOKYO—Call money rates have been raised by ¼ per cent to 4¾ per cent for overnight, and to 4¾ per cent for unconditional, by the Japanese short-term money houses. The bill discounting rate was quoted at 4⅝ per cent.

PARIS—Day-to-day money was unchanged at 7 per cent, with one-month and three-month also unchanged, at 7¼-7⅜ per cent and 7⅝-7¾ per cent respectively. Six-month eased 1⁄16 per cent to 7⅞-7⅞ per cent, and 12-month fell by a similar amount to 8⅛-8¼ per cent.

NEW YORK—The Federal Reserve made overnight repurchase orders at 8⅜ per cent to steady the market, following publication of the July trade figures. Treasury bill rates were generally higher in early trading, with 13-week bills quoted at 7.44 per cent, compared with 7.323 per cent at Monday's auction.

UK MONEY MARKET

Large assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day-to-day credit was in short supply in the London money market yesterday and the authorities gave a large amount of assistance by buying a large number of Treasury bills from the discount houses, and by buying a small amount of local authority bills.

Government disbursements were roughly equal to revenue payments to the Exchequer, but the market was helped by small surplus balances brought forward by the banks. This was outweighed by a net take-up of Treasury bills to finance, and a very small rise in the note circulation.

Discount houses paid 8¾ per cent for secured call loans in the early part, with closing balances taken at 9-9½ per cent.

In the interbank market overnight loans opened at 8¾-9¼ per cent and eased to 8¾-9 per cent, before returning to 8¾-9¼ per cent for most of the morning. Rates rose to 9¼-9½ at late lunch time, and remained around 9 per cent for most of the afternoon, but fell to around 5 per cent in places towards the close.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Aug. 29 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-9½	—	—	—	9⅛-9¼	8¾-9¼	—	—	—
2 days notice	—	—	9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9⅝	—	—	—	—
7 days notice	—	9-9⅛	9⅛	—	9⅜	—	8¾-8⅞	—	—	—
One month	[illegible]	9⅛-9¼	9¼	9½-9⅞	9⅝	9½	8⅞	8¾-8⅞	[illegible]	9⅝
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅝
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅝
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. [illegible] Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 8.908 per cent.

GOLD

Sharp rise

Gold rose $6¾ to $204¾-205¼ in hectic late trading, following news of the increase in the U.S. trade deficit in July. It opened at $198¾-199¼ and was fixed at $199.40 (£104.060) in the morning, and $199.70 (£103.973) in the afternoon. Trading was fairly quiet before the publication of the U.S. trade figures.

In Paris the 12½-kilo gold bar was fixed at FFr 28,700 per kilo ($202.09 per ounce) yesterday afternoon, compared with FFr 28,650 ($201.15) in the morning, and FFr 28,450 ($201.17) Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 13,000 per kilo ($199.94 per ounce), compared with DM 12,900 ($198.96) previously.

	Aug. 29	Aug. 25
Gold Bullion (a fine ounce)		
Close	$204¾-205¼	$198-198½
Opening	$198¾-199¼	$198¾-199¼
Morning fixing	$199.40 (£104.060)	$198.85 (£103.320)
Afternoon fixing	$199.70 (£103.973)	$198.85 (£102.857)
Gold Coins domestically		
Krugerrand	$210½-212½ (£108¼-109¼)	$206½-210½ (£108½-109½)
New Sovereigns	$58¼-60¼ (£30-31)	$58-60 (£30¼-31¼)
Old Sovereigns	$59¼-61¼ (£30¾-31¾)	$58¼-60¼ (£30¼-31¼)
Gold Coins internationally		
Krugerrand	$210-212 (£108-109)	$204¼-206¼ (£106-107)
New Sovereigns	$57¼-59¼ (£29¾-30¾)	$56¾-58¾ (£29¼-30¼)
Old Sovereigns	$58¾-61¾ (£30¼-31¾)	$58¼-60¼ (£30¼-31¼)
$20 Eagles	$304-307	$299-301
$10 Eagles	$160-165	$161-164
$5 Eagles	$110-115	$111-114

MONEY RATES

NEW YORK

Prime Rate	9
Fed Funds	8.375
Treasury Bills (13-week)	7.40
Treasury Bills (26-week)	7.62

GERMANY

Discount Rate	3
Overnight	3.45
One month	3.5
Three months	3.7
Six months	4.15

FRANCE

Discount Rate	9.5
Overnight	7
One month	7.3125
Three months	7.6875
Six months	7.8125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.625
Bills Discount Rate	4.625

WORLD STOCK MARKETS

Wider trade deficit pushes Wall St. down 4

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—90½% (95%)
Effective $1.9455—42¾% (44¼%)

A WIDER than expected July trade deficit pushed Wall Street stock prices broadly lower in moderately active trading yesterday for the third session in a row.

A slowing of consumer price increases in July, due almost entirely to a drop in volatile food prices appeared to give little comfort to investors.

The Dow Jones Industrial Average closed 4.68 down at 880.20 making a three-day loss of 17.15. The NYSE All Common Stock index finished 32 cents lower at $58.38.

Volume totalled 33.78m shares—up 2.02m from Monday's level—with declining issues outnumbering gaining ones by 974 to 551, with 387 stocks unchanged.

The Commerce Department report that the July trade deficit widened to a seasonally adjusted $2.99bn from $1.6bn in June also weakened the dollar.

Earlier this month the Federal Reserve tightened credit to support the dollar and just yesterday apparently turned the monetary policy screw another notch, although that move was viewed more as a response to domestic economic considerations.

The Labour Department said that the rise in consumer prices slowed in July to 0.5 per cent after climbing 0.9 per cent in each of the previous three months. The Carter Administration, however, said that the 0.7 per cent rise in non-food prices in July indicated that the underlying rate of inflation was still too high.

On a more positive note, it said that it expected the trade deficit to ease in coming months.

The market was also disturbed by the heavy speculation in hotel and casino issues. **Ramada Inns** again led the actives list, rising $¼ to $12⅛.

Caesar's World jumped $4¼ to $46. It obtained final Atlantic City planning board approval for expanding the Howard Johnson Regency Hotel into a 325-room hotel casino. **Howard Johnson** was unchanged at $14⅝ in active trading.

MGM advanced $1¼ to $49⅞, but some other gaming issues weakened. **Playboy** slipped $⅜ to $27¼ and **Del E. Webb** $⅜ to $31⅜ in active trading.

IBM dropped $2¼ to $292¼ and **U.S. Steel**, which yesterday raised tin mill prices, $⅜ to $27. **Johns Manville** eased $⅜ to $32⅜ and **Lockheed** $1 to $32¼.

Ford Motor lost $1⅜ to $44—the Transport Department warned that some Ford cars and trucks built between 1970 and 1978 could slip into reverse gear from park when the engine was idling. It claimed that 23 fatalities had resulted.

Gold shares improved in response to the higher price for gold, but a number of Petroleum issues weakened. The Securities and Exchange Commission is to require disclosure of valuation data on proved reserves.

Loral climbed $4¼ to $38 on a favourable Press report, while **Hanes** gained $3¾ to $46 but couldn't explain the rise. **Allegheny Airlines** jumped $1⅜ to $13¾ and **Eastern** $1¼ to $14⅝, both in active trading.

Prices on the AMERICAN S.E. declined in active trading, the index falling 0.95 to 165.60 and the average price per share by 8 cents. Volume dropped 720,000 shares to 6.08m.

Pebble Beach climbed $3⅞ to $44¼—Twentieth Century-Fox has offered $42.50 per share. **Tejon Ranch** jumped $3¾ to $25½, but could not explain the rise.

Champion Home Builders topped the actives list, easing $⅛ to $3⅞. Also active, **Ozark Airlines** gained $1¼ to $8¼ and **Golden Nugget** $1¼ to $35¼, but **Resorts International "A"** fell $2¾ to $112.

Scientific Atlanta dropped $2½ to $30—it is to offer 350,000 common shares.

Canada

Shares moved lower in active trading on Canadian Stock markets yesterday. The Toronto Stock Exchange 300 Index closed 8.9 lower at 1,208.9 and the Montreal Composite Index 1.66 down at 204.44.

Most of the sector indices lost ground, with Metals and Minerals off 11.9 at 1,017.8, Oils and Gas down 9.4 at 1,523.8 and Banks 3.38 lower at 283.40. Golds, however, forged ahead 47.6 to 1,538.4.

Brascan fell $1 to C$16 on lower second-quarter net, while **Bank of Nova Scotia**, at C$21⅞, **Trans Canada Glass** at C$5½ and **Pembina Pipe** at C$7½ all added C$¼ on higher earnings.

United Western Oil and Gas rose 14 cents to 92. The company could not explain the stock's activity.

Cockfield Brown dropped 75 cents to $3.85 on the news that management plans to buy the company had been delayed. **Warrington Products** eased 2 cents to C$1.24 on a first-half loss.

Noranda "A" lost C$1⅞ to C$30⅝ while **Texaco Canada** at C$43, **Dominion Bridge** at C$26½ and **Genstar** at C$31 each retreated C$1.

Australia

Diamonds replaced uraniums as the most active stocks, leading the market in Sydney to a five-year high. The bourse All Ordinaries index rose 2.45 to 537.78.

CRA closed 9 cents higher at A$3.43 on speculation about the Ashton diamond venture ahead of results.

Recently active Uraniums lost momentum, with **Peko** falling 10 cents to A$6.16 after results and **EZ Industries** 5 to A$3.05.

Pancontinental rose 20 to A$16.10 and **Queensland Mines** 5 to A$3.90.

BHP rose 6 cents to A$8.16, while in firm Banks the **Wales**, **National** and **ANZ** all rose.

Bushells, subject of a Bond Liebig takeover bid, rose 15 cents to A$4.70.

In Melbourne, the All Ordinaries index closed at 195.24. **Renison** gained 15 to A$10.70, but **Western Mining** and **Bougainville Copper** each lost 2 to A$1.61 and A$1.51 respectively.

CSR put on a cent to A$3.29 and **MIM** 2 cents to A$2.42.

Tokyo

Share prices closed higher, led by Pharmaceuticals and Public Works issues.

The market average rose 21.65 to 5,527.77 and the new stock exchange index 1.15 to 421.94. Volume totalled 260m shares—up from 150m on Monday—with gaining issues outpacing losing ones 375 to 275.

Buying interest revived on optimism that Japan's Cabinet economic council would decide on increased Goverment public works spending and related measures on Saturday.

Constructions, small-sized Steels, Electric Cables, Housing and Real Estates rose, but Export-Oriented shares finished generally lower, after the statement by **Toyota Motor**—down Y15 to Y850—that it saw difficulties in maintaining after-tax profits in the current year.

Nissan Motor lost Y6 to Y735, **Canon** Y6 to Y442 and **Sony** Y30 to Y1,520.

In contrast, **Casio** advanced Y28 to Y790, *Dai Nippon Print* Y17 to Y558, **Ito-Yokado** Y10 to Y1,820 and **Takeda Chemical** Y8 to Y422.

Hong Kong

The market showed a firmer bias but no clear trend in moderately active trading. Volume totalled HK$267.18m after the Liberation Day holiday—down from HK$340.08m the previous session.

Hong Kong Land advanced 20 cents to HK$12.80 and **Jardine Matheson** 10 to HK$16.80, but **Hong Kong Bank** and **Swire Pacific** each lost 10 cents to HK$20.80 and HK$9.75 respectively.

Hong Kong Wharf climbed HK$2.25 to HK$39.50 on continued speculative interest, while **Haw Par** rose 40 cents to HK$4.30.

Milan

Shares recorded widespread losses in quiet trading.

Bastogi eased L7 to L662 and its subsidiary, **Beni Stabili**, also lost ground as operators awaited details from Bastogi of its proposals for incorporating Beni Stabili.

Montedison ended L3½ higher at L170 and **Snia Viscosa** L19 ahead at L890, but **ANIC** eased L2¾ to L105½.

Fiat, **Pirelli and Co.** and **Olivetti Privileged** also gained, but **Pirelli Spa** and **Olivetti Ordinary** fell.

Germany

Prices moved lower in listless trading, with the Commerzbank index closing 4.5 down at 820.0.

The broad decline appeared to be due to the general slow trading conditions.

Only Chemicals went against the trend, with **BASF** gaining 70 pfennigs to DM 136, and **Hoechst** 80 pfennigs to DM 133.80. **Bayer** held steady at DM 139.90.

BMW led Autos down, losing DM 3.50 to DM 222. In Banks, **Deutsche** shed DM 3 to DM 298.50. Engineerings and Steels were up to DM 2.80 and DM 1.70 lower respectively.

In Electricals, **AEG** gained 20 pfennigs to DM 83.30 against the trend, while in Industrials **VEBA** eased DM 1.80 to DM 130.70.

Paris

The Bourse was generally lower, with today's rise of 1.2 per cent in the French retail price index discouraging business.

Banks, Construction, Stores, Oils, Engineering and Chemicals all moved lower, but Foods were irregular and Textiles steady.

Radio Technique lost FFr 7.50 to FFr 438 and **Peugeot-Citroen** FFr 10 to FFr 478, but **Moulinex** moved ahead FFr 5 to FFr 144 ex-dividend.

Amsterdam

Prices turned lower, with **Unilever** down Fl 1 at Fl 127.20 and **Royal Dutch** off 60 cents at Fl 136.10 in Internationals. **Akzo**, however, moved 50 cents higher to Fl 33.

Elsewhere, losses of around Fl 1 were recorded by **KLM**, **Gistal Brocades**, **Oce-Van Der Grinten** and **Bijenkort**.

Standing out against the trend **WVA** and **Middenstandsbank** ended Fl 2.80 and Fl 2.50 higher respectively.

Turnover on the European options Exchange fell to 1,420, as against Monday's record 3,364, still led by **Philips** with 687 contracts.

NEW YORK

[illegible]

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated. yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ◆ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ¶ New stock

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS 1,420

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hill Samuel	§10 %
Allied Irish Banks Ltd.	10 %	C. Hoare & Co.	†10 %
American Express Bk.	10 %	Julian S. Hodge	11 %
Amro Bank	10 %	Hongkong & Shanghai	10 %
A P Bank Ltd.	10 %	Industrial Bk. of Scot.	10 %
Henry Ansbacher	10 %	Keyser Ullmann	10 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	12 %
Bank of Credit & Cmce.	10 %	Lloyds Bank	10 %
Bank of Cyprus	10 %	London Mercantile	10 %
Bank of N.S.W.	10 %	Edward Manson & Co.	11½ %
Banque Belge Ltd.	10 %	Midland Bank	10 %
Banque du Rhone	10½ %	■ Samuel Montagu	10 %
Barclays Bank	10 %	■ Morgan Grenfell	10 %
Barnett Christie Ltd.	11 %	National Westminster	10 %
Bremar Holdings Ltd.	11 %	Norwich General Trust	10 %
Brit. Bank of Mid. East	10 %	P. S. Refson & Co.	10 %
■ Brown Shipley	10 %	Rossminster	10 %
Canada Perm't. Trust	10 %	Royal Bk. Canada Trust	10 %
Capitol C & C Fin. Ltd.	10 %	Schlesinger Limited	10 %
Cayzer Ltd.	10 %	E. S. Schwab	11½ %
Cedar Holdings	10½ %	Security Trust Co. Ltd.	11 %
■ Charterhouse Japhet	10 %	Shenley Trust	11 %
Choulartons	10 %	Standard Chartered	10 %
C. E. Coates	10 %	Trade Dev. Bank	10 %
Consolidated Credits	10 %	Trustee Savings Bank	10 %
Co-operative Bank	*10 %	Twentieth Century Bk.	11 %
Corinthian Securities	10 %	United Bank of Kuwait	10 %
Credit Lyonnais	10 %	Whiteaway Laidlaw	10½ %
The Cyprus Popular Bk.	10 %	Williams & Glyn's	10 %
Duncan Lawrie	10 %	Yorkshire Bank	10 %
Eagil Trust	10 %		
English Transcont.	11 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		

■ Members of the Accepting Houses' Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 8¼%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7¾%.

Indices

NEW YORK—DOW JONES

	Aug. 29	Aug. 28	Aug. 25	Aug. 24	Aug. 23	Aug. 22	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrial	880.20	884.88	895.55	897.56	897.00	892.41	900.12 (17/8)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.15	89.21	89.06	88.81	88.97	89.02	90.86 (6/1)	85.73 (11/7)	—	—
Transport	247.76	248.78	252.08	253.47	251.66	249.76	258.41 (24/8)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.18	106.09	106.39	106.48	106.56	106.56	110.98 (5/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	33,780	31,760	36,190	38,590	33,710	28,620	—	—	—	—

* Basis of Index changed from August 24

	Aug. 25	Aug. 18	Aug. 11	(Year ago approx.)
Ind. div. yield %	5.26	5.24	5.26	4.26

STANDARD AND POORS

	Aug. 29	Aug. 28	Aug. 25	Aug. 24	Aug. 23	Aug. 22	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	114.91	115.17	116.27	116.59	116.16	115.48	116.58 (24/8)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	103.39	103.96	104.90	105.08	104.91	104.31	105.08 (17/8)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Aug. 23	Aug. 16	Aug. 9	Year ago (approx.)
Ind div. yield %	[illegible]	4.70	4.70	4.57
Ind. P/E Ratio	10.02	9.99	9.97	9.90
Long Gov. Bond yield	8.37	8.54	8.52	7.61

N.Y.S.E. ALL COMMON

Aug. 29	Aug. 28	Aug. 25	Aug. 24	1978 High	1978 Low
58.38	58.70	59.22	59.26	59.26 (24/8)	48.37 (6/3)

Rises and Falls

	Aug. 29	Aug. 28	Aug. 25
Issues traded	1,912	1,918	1,920
Rises	551	469	746
Falls	974	1,114	774
Unchanged	387	335	400
New Highs	—	109	161
New Lows	—	7	4

MONTREAL / TORONTO / JOHANNESBURG

		Aug. 29	Aug. 28	Aug. 25	Aug. 24	1978 High	1978 Low
MONTREAL	Industrial	195.75	197.29	199.71	200.50	201.84 (18/8)	162.90 (16/2)
	Combined	204.44	206.10	208.18	208.57	209.92 (18/8)	170.82 (30/1)
TORONTO	Composite	1,208.9	1217.8	1230.2	1235.8	1238.4 (18/8)	998.2 (30/1)
JOHANNESBURG	Gold	243.9	244.7	248.4	246.8	272.8 (14/8)	185.0 (20/4)
	Industrial	262.4	261.9	265.5	264.1	284.5 (23/8)	194.3 (13/3)

	Aug. 29	Pre-vious	1978 High	1978 Low
Australia(¶)	537.78	535.33	537.78 (29/8)	441.19 (1/3)
Belgium (‖)	98.64	98.64	101.16 (6/5)	90.45 (23/5)
Denmark (**)	97.59	97.21	98.95 (14/8)	94.00 (6/2)
France (††)	74.4	74.7	78.5 (5/8)	47.8 (3/2)
Germany (‡‡)	820.0	824.5	827.6 (25/8)	759.4 (17/3)
Holland (§§)	92.3	92.9	92.9 (28/8)	76.9 (4/4)
Hong Kong (¶¶)	564.51	561.41	580.12 (16/8)	385.84 (13/1)
Italy (‖‖)	66.14	66.46	68.17 (21/8)	56.40 (10/1)
Japan (a)	421.94	420.79	423.81 (14/8)	364.04 (4/10)
Singapore (b)	405.69	404.94	405.69 (29/8)	282.0 (9/1)

	Aug. 29	Pre-vious	1978 High	1978 Low
Spain (d)	102.05	101.90	110.16 (9/2)	91.76 (17/3)
Sweden (e)	395.25	395.06	408.06 (4/8)	322.14 (3/1)
Switzerl'd (f)	289.4	288.3	356.39 (28/8)	279.0 (25/4)

1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec., 1953. §§ Amsterdam Industrial

TUESDAYS ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Ramada Inns	1,376,100	12⅛	+ ¼
National Air	789,600	37⅞	− ¼
Allegheny Air	618,600	13¾	+ 1⅜
Pan Am	531,200	8¼	—
Del E. Webb	513,200	31⅜	− ⅜
Continental Air	437,300	18⅛	+ 1⅝
Eastern Air	389,100	14⅝	+ 1¼
White Mot.	350,000	13⅛	+ ⅜
Caesar's World	344,600	46	+ 4¼
Howard Johnson	140,660	14⅝	—

GERMANY ◆

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo

AUSTRALIA

[illegible]

OSLO

[illegible]

BRAZIL

[illegible]

Turnover: Cr 81.0m. Volume 47.0m.
Source: Rio de Janeiro SE.

JOHANNESBURG

[illegible]

Securities Rand $U.S. 0.75¼
(Discount of 34.3%)

SPAIN ♥

[illegible]

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

SWITZERLAND ◆

[illegible]

COPENHAGEN ♣

[illegible]

VIENNA

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

Indices

Talks start on world tea pact

By Mervyn de Silva

COLOMBO, August 29.

A FIVE-DAY conference of experts from 16 tea producing and exporting countries opens here today. They will evaluate the economic and technical feasibility of proposed measures to rationalise the supply of tea in the world market.

The Sri Lanka (Ceylon) chairman says that this is "the core element in any International Tea Agreement."

Organised under UNCTAD's integrated programme of commodities the Colombo conference will prepare the ground for a Ministerial meeting in December.

These two meetings are expected to open the way to final negotiations for an International Tea Agreement.

Our Calcutta correspondent writes: Indian tea production up to the end of July was 266m kilograms—9m kilos short of the previous year's figure at the same date.

Most of the reduction was in North Indian output.

Exports during the first four months of the current financial year (April-July) have declined by 13m kilos to 43m kilos, according to industry sources.

● Leading natural rubber producers and users opened a two-week meeting in Geneva on Monday to work on a draft international agreement to stabilise prices and markets, Reuter reports.

Philippine plan for dairy herd

MANILA, August 29.

THE PHILIPPINE Government is considering a plan to create a subsidised national dairy industry to help reduce the nation's $90m-a-year bill for imported milk, the Asian Wall Street Journal reports.

The programme, proposed by the Ministry of Agriculture, would spend $75m over eight years on buying 55,000 pregnant heifers from foreign breeders.

The programme would also offer opportunities for local beef ranchers to expand into the breeding of dairy stock and would provide incentives to would-be dairy farmers. A draft budget estimates the programme's total cost at $116m.

The ministry estimates there are only 1,170 dairy cows in the Philippines. The plan under consideration would raise the cow population to 64,000 head and draw 34,000 farmers into dairy co-operatives.

AP-Dow Jones.

U.S. interest boosts lead price on London market

BY OUR COMMODITIES STAFF

THE ACTIVITIES of one buyer, thought to be linked with producer interests in the U.S., were mainly responsible for the rise in lead prices on the London Metal Exchange yesterday, traders said. Producers in the States were also behind a flurry in zinc markets, they claimed.

At the close three months lead had gained £5.50 a tonne, ending at £346.75. Cash metal was £5.75 a tonne up at £343.

The weakening of the dollar—prompted by the announcement of disappointing U.S. trade figures—and the relative strength of sterling had no apparent impact. Such movements usually tend to depress prices in London.

Cash and three months zinc closed virtually unchanged on the day at £318.625 and £326.375 a tonne respectively after a lively morning's trading.

Forward metal touched £328 a tonne at one point after trading pre-market at £321, but the upward pressure eased as the strength of sterling became evident in the afternoon.

Copper prices started from a low point following falls in New York.

Monetary factors helped push them down further in the afternoon sessions and cash wirebars closed at £736 a tonne—£12.25 down on the day. Three months metal was £10.50 a tonne lower.

Cathode prices were down by similar amounts. Cash and three months metal ended at £726.50 and £744.50 a tonne, after registering falls of £12 and £11 a tonne respectively.

A reduction in LME warehouse stocks of copper of more than 10,000 tonnes was expected and made no impact.

Preussag-Boliden-Blei GMBH announced yesterday it planned a six-week period of short-time working for 440 of its staff at the lead smelter in Nordenham, near Bremen.

Floods swamp 6m acres

BY OUR COMMODITIES STAFF

MORE THAN 6m. acres of land in India and Pakistan have been swamped by recent floods. Almost 700 people are believed to have died.

In Pakistan, where floods swept across 2m acres, early estimates put the cost of damage at about £10m. This includes losses of property and railway tracks.

Sugar, rice and cotton crops in Sind Province appear to have been worst affected by the rain and groundwater.

In India 22 states have been affected. Crop losses in Bihar alone have been estimated at £33m and in West Bengal damage to crops and property is said to total about £6m.

In Washington the U.S. Department of Agriculture estimated India's 1978 wheat harvest at 31m tonnes, up from 27m in 1977 and the third record crop in a row.

A USDA field report from New Delhi said total coarse grain output in 1978-79 is forecast at 30 to 34m tonnes, including 11 to 12m tonnes of sorghum, 10 to 12m tonnes of millet, 6.5 to 7.0m tonnes of maize and 2.5 to 3.0m tonnes of barley.

London coffee values decline

BY RICHARD MOONEY

COFFEE PRICES fell back sharply yesterday afternoon in the face of growing scepticism about the amount of damage done to the Brazilian crop by the frost which struck earlier this month. November delivery coffee gained £40 during the morning as buyers followed through on the Bank Holiday rise in New York.

But the rise began to run out of steam early in the afternoon and when the New York market opened significantly lower London values fell back quickly. By the close November coffee was quoted at £1,456.5 a tonne, down £20 on last Friday's close.

Dealers said the morning's rise was encouraged by the announcement of higher minimum export prices by Brazil, Mexico and El Salvador. They said speculators seemed to be ignoring the fact that the higher Brazilian minimum would actually reduce the cost of importing coffee from that country. The rise in the minimum widens the gap between that price and the world price and so increases the discounts allowed to importers under Brazil's "special deals." The net cost of importing Brazilian coffee is therefore reduced.

The question of the Brazilian frost damage remains extremely confused but dealers are increasingly favouring the more conservative estimates. The Brazilian Coffee Institute last week put the damage as high as 8.2m bags and though most London operators thought this was an exaggeraton many were privately estimating that the frost had cost Brazil 4m bags of coffee. Following an estimate by the U.S. Department of Agriculture that only 1.5m bags had been lost many traders have modified their thinking and have become very reluctant buyers.

In Rio de Janeiro meanwhile, the Federal Government Weather Office has forecast warmer temperatures in the main coffee growing state of Parana. It reported a cold air mass off the Chilean coast but issued no frost warning for last night.

Smokescreen defies frost

RIO DE JANEIRO, August 29.

ONE OF Brazil's leading coffee growing bodies, the Atalla Group, saved almost all its 13.1m coffee bushes from frost damage earlier this month by creating artificial smokescreens, according to an article in the Rio newspaper "O Globo."

By burning a mixture of sawdust, potassium nitrate and diesel oil in old oil drums the group was able to protect its plantations in Sao Paulo and Parana from the damage suffered on many farms, it says.

Sources from the group added approximately 50,000 trees in one area on its farm were left unprotected as an experiment, and all showed signs of damage.

According to the article, over 5,000 burners were used to produce a thick blanket of smoke over the plantations at a cost of roughly 360,000 cruzeiros.

The article quotes Sr Jorge Sydney Atalla as saying 38 per cent of the area was planted with coffee bushes of an average age of two years, which could have been totally destroyed by the frost.

France will deliver more wheat

By Our Commodities Staff

FRENCH WHEAT growers have forecast a big increase in wheat deliveries this season. The producers' association said yesterday marketings should reach 16.5m to 17m tonnes compared with 14.1m tonnes in 1977.

Early estimates put the national crop this year at 19m-19.5m tonnes against 16.7m in 1977.

Average yield is said to be 4.7 tonnes a hectare compared with 4.6, Reuter reports. Exports may reach 9m tonnes against 7.6m tonnes last season.

In Taipei, the Board of Foreign Trade said Taiwan planned to buy 2m tonnes of grains when a purchasing mission visits the U.S. at the end of September.

The board said the Government had stockpiled more than 3.2m tonnes of food grains, comprising 2.8m tonnes of maize, 755,700 tonnes of soyabeans and 366,000 tonnes of wheat.

Malaysia plans to study new rubber grade

Kuala Lumpur, August 29.

THE MALAYSIAN Rubber Exchange and Licensing Board is to resume its feasibility study of the introduction of SMR 20 as a second hedging grade on the Malaysian rubber market, writes Wong Sulong.

Mr. Abu Bakar Pawanchee, chairman of the board, said the exchange had made a study into this in early 1976, but it was suspended following the revision of SMR grades of rubber by the Rubber Research Institute.

Mr. Abu Bakar was commenting on a call by Mr. Sulaiman Manan, managing director of the Malaysian Rubber Development Corporation, for the introduction of SMR 20 as a second hedging grade, to complement RSS 1.

Malaysian and Singapore rubber traders are opposed to the introduction of SMR 20 as a second hedge, as this would reduce speculative activity in both markets.

The corporation, as the biggest producer of SMR, feels that a second hedge, based on SMR 20, should be introduced, as RSS 1 now accounts for only 15 per cent of Malaysia's total rubber output, and was therefore not reflective of the true physical conditions in Malaysia.

MALAYSIAN AGRICULTURE

Sober stock-taking follows cocoa boom

BY WONG SULONG IN KUALA LUMPUR

FOR MUCH of last year, the talk in the timber-rich East Malaysian State of Sabah was not who had managed to pull off a timber concession or who had lost one, but who had cocoa. Prices of cocoa had reached record heights and this meant that a new breed of cocoa millionaires has joined the free-wheeling timber tycoons in Sabah, Malaysia's biggest cocoa-producing State.

Now, with cocoa prices returning to less dizzy heights, gossip about the cocoa millionaires has given way to a more sober assessment of the potential of the crop in Malaysia.

There is no doubt that cocoa can become Malaysia's third biggest export crop after rubber and palm oil. This contention was confirmed at the recent international cocoa and coconuts conference in Kuala Lumpur. Such a conference, being held in the Malaysian capital for the first time, is an acknowledgment of the crop's potential in the country.

Mr. Paul Leong, the new Minister of Primary Industries, is enthusiastic about the future of cocoa. He predicts by the turn of the century, Malaysia will rank as one of the world's biggest cocoa exporters.

Volcanic soils

Malaysian planters, who are a conservative lot, agree with this assessment, but with varying degrees of reservation. They point out Malaysia is a newcomer in cocoa, and will have to tackle some of the present problems before such potential is realised.

Commercial planting of cocoa began in Malaysia, in the 1950s, but until recent years cultivation expanded rather slowly, mainly because prices were not high enough to tempt planters to switch from the well-tried and better earning rubber tree and oil palm.

But in the 1970s, estates began to diversify into cocoa. In Sabah, the rich volcanic soils give estates the worlds' highest cocoa yields, and in the West Malaysian States of Perak, Selangor and Johore, cocoa was found to be an excellent intercrop grown with coconuts which were on the decline.

Total cocoa acreage has expanded from 30,000 acres in 1971 to 120,000 acres last year. In the same period Malaysia's production has risen from 3,500 tonnes (equivalent to 0.23 per cent of world output) to 16,600 tonnes (representing 1.17 per cent of global output. By 1980, production is estimated at 30,000 tonnes.

The average annual production cost of cocoa is around 800 ringgits (£175) an acre. Yields can be anything between 1,000 lb, and 3,000 lb. an acre, and therefore, at present world prices of around £1,700 a tonne, cocoa cultivation is a very attractive proposition for Malaysian planters.

High productivity is one of the biggest advantages Malaysia has over the big African producing countries, whose output per acre is between 400 lb and 1,000 lb.

Companies such as Golden Hope (part of Harrisons and Crosfield group) in Perak and Bal Estates (owned by the Commonwealth Development Corporation) in Sabah have been leaders in cocoa cultivation.

Others such as Highlands and Lowlands, and the Danish-owned United Plantations, have a good spread of cocoa which is becoming a significant contributor to their income.

Many others are beginning to give greater attention to the crop. The Sime Darby group, which has 4,600 acres under cocoa, plans to have 16,000 acres or more by 1985.

The Malaysian Government's land agency, FELDA, has 6,000 acres and is planting another 9,000 acres this year to diversify from oil palm and rubber.

The Sabah Government is leasing thousands of acres to West Malaysian companies and individuals for Cocoa cultivation, and recently, the World Bank approved a 60m ringgit loan to the Malaysia Government to shore up the depressed coconut smallholders by inter-cropping 22,000 acres with cocoa over five years.

At the moment, the biggest drawback for Malaysian cocoa is its high acidity, which makes it quite unsuitable for chocolate manufacture without special processing and blending with African cocoa.

Because of this inferiority, Malaysian cocoa is sold at a 10 per cent discount and some dealers warn that unless this problem is overcome, Malaysia could have difficulty in selling its output if the world market becomes overloaded — especially when it is not a member of the International Cocoa Agreement.

Research is being done to reduce the acidity, the suspected cause of which is improper drying methods. Given the vast reservoir of agricultural research and expertise in Malaysia, planters are confident this problem could be solved before too long.

Acidity

Recently, Cadbury-Schweppes in Australia, the country's biggest chocolate manufacturer, said it would take 800 tonnes of Malaysian cocoa this year, and probably 1,600 tonnes next year. This is an important breakthrough for Malaysia cocoa in the Australian market.

The company said it had found a way of reducing the acidity, and the extra cost was compensated by cheaper freight costs.

Cocoa is still a new crop, and more research is needed. So far, it has thrived in the Malaysian environment and is relatively disease-free.

But estates like United Plantations take a cautious view. The experience with one of its associate cocoa estates in South America which was devastated by disease not long ago, is a timely reminder of the hazards.

As cocoa emerges as an important crop for Malaysia, research will have to be centralised, and standards for cocoa established to guarantee quality. The marketing structure, which is currently not organised, and left in the hands of individual estates and small-time dealers, needs revision, and Malaysia's trading position as a cocoa exporter needs further consolidation.

THAILAND SELLS MORE TAPIOCA

BANGKOK, August 28.

Thai tapioca pellet exports in July rose to 379,388 tonnes from 238,043 tonnes in July, 1977, the Thai Board of Trade said.

Exports in the first seven months this year totalled 3.3m tonnes against 2.1m tonnes in the same period of 1977. Officials estimate total tapioca exports this year will exceed the original target of 4m tonnes. But they said they expect local output next year to be lower than the current season which has so far benefited from high rainfall.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lost ground on the London Metal Exchange. Forward metal initially traded between £758-£760 following the overnight Comex fall but in the afternoon slipped lower as Comex went through some stops. The poor U.S. trade figures weakened the dollar against the pound but a rally on Comex was not followed through in London and the price fell to a low for the day of £751, helped by chartist selling, before closing on the Kerb at £752. Turnover 19,600 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £741, 41.5; three months £757, 59, 58.5, 58, 57.5, 58, 58.5. Cathodes: Cash £736; three months £731.5. Kerb: Wirebars: Three months £750, [illegible]

[illegible]

TIN [illegible] ... price slipped to close at £6,630. Turnover 1,780 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6640-50	—52.5	6650-60	—42.5
3 months	6650-70	—55	6660-80	—55
Settlem't	6650	—50	—	......
Standard				
Cash	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

L.G. Index Limited 01-351 3466. 3 month Gold 207.9-209.9

29 Lamont Road, London SW10 0HS.

1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

[illegible]

COFFEE

London Robustas opened about £30 higher in quiet conditions DBL reports. [illegible]

[illegible]

RUBBER

[illegible]

SILVER

[illegible]

GRAINS

LONDON FUTURES (GAFTA)—[illegible]

[illegible]

COCOA

[illegible]

HGCA—Average ex-farm spot prices for week ending August 24. Other milling wheat—SE 85.60, SW 84.80, East 85.10, E. Midlands 82.70, W. Midlands 86.00, NE 84.50, NW 85.00, UK 85.00. Feed barley—SE 72.70, SW 73.60, East 73.60, E. Midlands 73.40, W. Midlands 72.00, NE 73.00, NW 74.20, Scotland 74.50, UK 73.70. Highest price paid for malting barley was £104 at Leeds.

Forward prices for delivery during Oct.: [illegible]

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) £94.00 [illegible]

[illegible]

WOOL FUTURES

[illegible]

373.0-374.0, 373.3-372.5, 4; Dec. 376.5-377.0, 376.0-376.5, 3. Total sales, 17.

NEW ZEALAND CROSSBREDS—Close: Dec. 180.0-182.0; March 182.0-183.0; May 182.5-184.5; July 183.0-185.0; Oct. 153.0-[illegible]; Dec. 180.0-183.0. Sales nil.

MEAT/VEGETABLES

SMITHFIELD [illegible]

[illegible]

MEAT COMMISSION—[illegible]

COVENT GARDEN—[illegible]

PRICE CHANGES

Price per tonne unless otherwise stated.

	Aug. 29 1978	+ or —	Month ago
Metals			
Aluminium	£680		£680
Free market (cif)	[illegible]		$1045/55
Copper cash W'bars	[illegible]		£716
3 months do. do.	[illegible]		£736.75
Cash Cathode	[illegible]		£711.75
3 months do.	[illegible]		£732.25
Gold troy oz.	[illegible]		$202.875
Lead cash	[illegible]		£311.5
3 months	[illegible]		£318.5
Nickel	[illegible]		‡
Free Market(cif)(lb)	[illegible]		$1.70
	[illegible]		1.85
Platinum troy oz.	[illegible]		£128
Free Mkt.	[illegible]		£138.45
Quicksilver (76lb.)	[illegible]		$125/35
Silver troy oz.	[illegible]		295.6p
3 months	[illegible]		303.1p
Tin Cash	[illegible]		£6,510
3 months	[illegible]		£6,425
Tungsten	[illegible]		$140.57
Wolfram 22.04 lb cif	[illegible]		$131/38
Zinc cash	[illegible]		£307
3 months	[illegible]		£316.75
Producers	[illegible]		$550/600
Oils			
Coconut (Phil)	[illegible]		$640
Groundnut	[illegible]		£648
Linseed Crude (v)	[illegible]		£334
Palm Malayan	[illegible]		$632
Seeds			
Copra Philip.	[illegible]		$437.5
Soyabean (U.S.)	[illegible]		$264
Grains			
Barley EEC	[illegible]		[illegible]
Home Futures	[illegible]		[illegible]
Maize	[illegible]		[illegible]
French No. 3 Am	[illegible]		[illegible]
Wheat			
No. 1 Red Spring	[illegible]		[illegible]
No. 2 Hard Winter	[illegible]		[illegible]
English Milling	£89.5	......	£93
Cocoa Shipment	£1,886	+53.0	£1,860
Future Nov.	£1,825.5	+33.0	£1,771.5
Coffee Future			
Nov.	£1,456.5	—20.0	£1,168.5
Cotton 'A' Index	74.5c	—1.0	72.5c
Rubber kilo	58.6p	—0.75	58p
Sugar (Raw)	£94	+1.0	£85
Wooltops 64s kilo	278p	......	281p

* Nominal. † New crop. ‡ Unquoted. n June-Aug. q July-Sept. r Sept. s Oct. t Sept.-Oct. u Aug.-Sept. x Per ton. z Indicator price.

FINANCIAL TIMES

Aug. 29	Aug. 28	Month ago	Year ago
246.85	247.06	235.72	238.50

(Base: July 1, 1952=100)

REUTER'S

Aug. 29	Aug. 25	Month ago	Year ago
1460.9	1458.3	1420.6	1479.1

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Aug. 29	Aug. 28	Month ago	Year ago
Spot	370.97	369.96	360.71	368.60
Future	365.89	3-5.79	345.45	352.26

(Average 1924-25-26=100)

MOODY'S

Moody's	Aug. 29	Aug. 28	Month ago	Year ago
Staple Commodity	937.9	941.8	916.9	841.6

(December 31, 1931=100)

★

COTTON

COTTON—Liverpool. Spot and shipment sales amounted to 139 tonnes, reports F. W. Tattersalls. Trading was slow after the holiday, with limited interest in Middle Eastern and African qualities.

★

GRIMSBY FISH—Supply good and demand good. Prices per stone at ship's side (unprocessed): Shelf Cod £4.00-£5.00; Codlings £2.80-£3.40; Large haddock £4.20-£4.50; Medium haddock £3.40-£3.90; Small [illegible]

U.S. Markets

Silver and gold rise: cocoa firm

NEW YORK, August 29.

COFFEE eased slightly on light profit-taking and a lack of physical business. Cocoa finished near limit-up on trade arbitrage buying. Copper eased on renewed commission-house liquidation despite trade arbitrage buying. Precious metals rallied sharply following the larger than expected balance of trade deficit for July, Bache reports.

Cocoa—Sept. 153.35 (147.80), Dec. 152.10 (146.25), March 149.00, May 147.25, July 145.00, Sept. 142.75, Dec. 140.20 settlements. Sales: 969.

Coffee—"C" Contract: Sept. 158.00-158.50 (157.25), Dec. 148.50-148.90 (149.19), March 139.89, May 136.00-136.25, July 134.50-135.00, Sept. 130.00-132.00, Dec. 129.50-129.00. Sales: 675 lots.

Copper—Sept. 63.45 (63.80), Oct. 64.15 (64.55), Dec. 65.30, Jan. 65.80, March 66.50, May 67.60, July 68.45, Sept. 69.20, Dec. 70.20, Jan. 70.65, March 71.30, May 72.00 settlements. Sales: 10,000 lots.

Cotton—No. 2: Oct. 64.05 (63.85), Dec. 66.10-66.15 (66.00), March 67.93, May 65.65, July 65.65, Oct. 66.00-66.30, Dec. 66.00-66.05. Sales: 4,550.

*Gold—Sept. 207.20 (196.60), Oct. 206.40 (199.50), Dec. 211.40, Feb. 214.50, April 217.70, June 220.90, August 224.20, Oct. 227.60, Dec. 231.10, Feb. 234.60, April [illegible]

[illegible]

STOCK EXCHANGE REPORT

Equities susceptible to fresh small public sales

30-share index slips 7.6 to 505.8—Short Gilts ease

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug. 7	Aug. 17	Aug. 18	Aug. 30
Aug. 21	Aug. 31	Sep. 1	Sep. 12
Sep. 4	Sep. 14	Sep. 15	Sep. 26

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

In the absence of the investment demand thought likely to be aroused by Mr. Healey's pre-holiday optimism about the economy, equity markets soon became uncertain. Renewed small offerings from private clients found dealers attempting to keep their books square and therefore reluctant to accept stock, a situation which led to thin and sensitive trading conditions.

Concern about the critical situation at British Leyland was reflected in the dearth of buying interest, while recent enthusiasm for household manufacturing companies waned following the London Business School's forecast of a significant slackening in consumer demand later this year. Leading shares sustained double-figure falls with general election uncertainties adding to the list of adverse market influences.

Few sections resisted the trend with the oil majors purportedly unsettled by the controversy surrounding possible Rhodesian sanction - breaking. Individual firm features emerged on Press mention and in special situations such as Reed International, up 10 at 160p, after 164p, buyers hoping that the current talks aimed at the sale of the group's principal Canadian subsidiary will be successful.

The FT Industrial Ordinary share index closed 7.6 down at the day's lowest of 505.8 mirroring the post-holiday hangover of the market in which the total number of bargains marked, at 4,348, was the smallest for six weeks.

British Funds were again desperately quiet with sentiment basically unaffected by a further slight increase in U.S. short-term interest rates or by sterling's late firmness yesterday in foreign exchange markets. Medium and longer stocks remained unchanged while several nearer issues eased a shade apart from one or two 1979/80 maturities — which improved marginally.

Institutional selling of the investment currency premium increased after news of the unexpectedly large U.S. trade deficit in July: after initially improving to 96 per cent, the rate wilted to 90 per cent before closing a net 4¾ points lower at 90¼ per cent. Yesterday's SE conversion factor was 0.7066 (0.6901).

Yesterday's total of 287 contracts completed was the lowest in traded options since July 7. ICI with 132, contributed nearly 46 per cent of the total with interest continuing to be enlivened by the approaching interim results which are due on September 7.

Domestic and investment currency influences brought about a reaction of 10 to 327p in Hongkong and Shanghai, while Deutsche fell 4 points to £111 for a similar reason. Home Banks drifted gently lower with Barclays 3 off at 352p and Lloyds 2 easier at 264p. In Discounts, Allen Harvey and Ross cheapened 5 to 310p following the uninspiring interim report. Elsewhere, Fraser Ansbacher eased a fraction to 9¾p in front of today's preliminary results.

Insurances closed easier throughout on small selling and lack of support. In front of today's interim figures, Pearl declined 4 to 264p, while Sun Alliance, which report half-yearly results next Wednesday, lost 8 to 576p. Royals gave up 3 to 395p and General Accident 4 to 232p.

Breweries had an easier bias, Guinness closing a penny off at 162p and Bass Charrington 2 cheaper at 166p. Elsewhere, Distillers eased 3 to 197p in line with the other equity leaders.

Apart from the odd special situation stocks, Building issues were inclined easier in quiet trading. Ellis and Everard, 5 higher at 104p, reflected approval of the sale of its building supplies division for nearly £3.6m to Travis and Arnold which moved up 6 to 169p. SGB advanced to 180p in response to favourable Press mention before settling at 177p for a rise of 5 on balance, while Crouch Group closed a penny dearer at 112p ahead of Thursday's preliminary results. Taylor Woodrow eased 4 to 430p and falls of 3 were marked against BPB Industries, 250p, and Carron, 60p. R. Costain, however, closed unaltered on balance at 226p after easing to 222p.

Occasional small selling and the absence of support left ICI 8p cheaper at 398p.

Burton wanted

A firm market lately on bid hopes, Burton issues took a further turn for the better yesterday as a week-end Press suggestion that Sears is about to make an offer — sparked off fresh speculative support; the A touched 178p before closing 10 up on the day at 177p, while the Ordinary put on 13 to 186p, after 188p, and the Warrants 3½ to 45p, after 46p. Other Store leaders, however, were unsettled by the London Business School's forecast that consumer spending will slacken considerably by the end of the year. Gussies A lost 10 to 312p and W. H. Smith A gave up 3 to 179p, while Marks and Spencer ended 2 off at 86p. Elsewhere, awaiting for further news of the bid discussions, Bourne and Hollingsworth hardened afresh ?— to 280p, while Hepworth, at 80p, moved forward 3 in response to Press comment. Freemans dipped 5 to 375p as did Lee Cooper, to 122p.

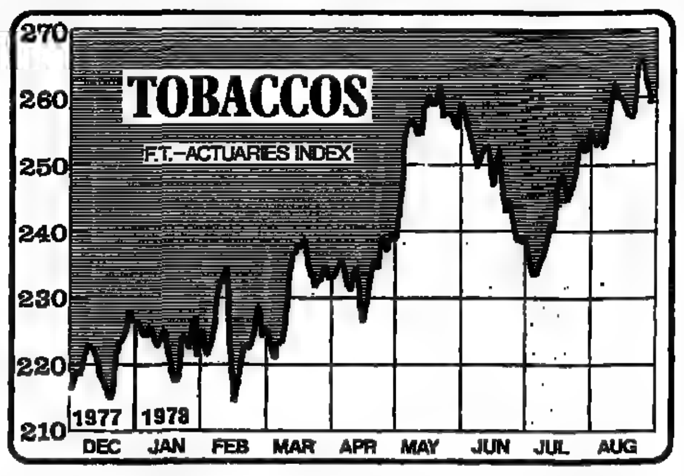
William Mowat featured Shoes with a rise of 6 to 22p following news of the bid approach.

Electricals, Thorn were lowered 8 to 388p, while GEC, 306p, and Decca "A" 478p, lost 7 apiece. Sony reflected dollar-premium influences with a fall of 25 to 580p. Other dull spots included Ward and Goldstone 4 off at 101p, and Racal Electronics, 10 cheaper at 326p.

Engineering leaders succumbed to the dull trend and closed with falls ranging to 10. Hawker closed that much easier at 234p. John Brown declined 4 to 468p, after 466p, and similar reactions were seen in GKN at 283p, and Tubes at 418p. Elsewhere, Press comment prompted respective gains of around 2 to 3 in Howard Machinery, 33p, Renold, 140p, and Hill and Smith, 87p, while, in front of today's preliminary results, Thurgar Bardex edged forward a penny to 20p. S. W. Farmer found support at 140p, up 5, but Davy International relinquished 3 at 285p.

Press comment directed fresh attention to Cullen's Stores, the A rising 10 to 150p for a two-day improvement of 17. Small buying in a restricted market lifted Goldrei Foucard 5 to a 1978 peak of 62p, while J. Sainsbury edged forward 2 to 225p on reports that the company has taken a greater share of the grocery market. Still reflecting the interim statement, G. F. Lovell hardened 3 to 48p for a two-day advance of 11. Small selling clipped 4 from Associated Dairies at 238p, while Linfood softened 2 to 160p, the latter in front of tomorrow's preliminary results.

Queen's Moat Houses, a penny off at 43½p, failed to respond to the first-half profits increase.



Reed Int. good

Reports that talks have started with several major Canadian companies for the possible sale of its biggest Canadian asset Reed Paper, helped Reed International equal its 1978 high of 164p before closing 10 up on balance at 160p. Comment on the group's joint venture with Tashiba prompted a fresh rise of 8 to 290p in Rank Organisation. Other miscellaneous Industrial leaders, however, were marked lower at the outset and then drifted further on small public selling and lack of support. Glaxo, 615p, and Beecham, 707p, fell 13 and 11 respectively while Unilever dipped 8 to 574p and Pilkington 6 to 628p. Among secondary issues, H. Brammer added 7 to 173p in response to the higher interim profits and proposed 50 per cent scrip issue and Aeronautical and General Instruments gained 4 to 90p following Press comment. First Castle Securities hardened 3 to 41p after trading news. Revived demand lifted Biddle 6 to 102p and investment support was again forthcoming for Ricardo which added 4 to 298p, but losses of 4 and 6 respectively were seen in English China Clays, 74p, and ICL, 386p. Investment currency influences left Jardine Matheson 9 lower at 264p and Schlumberger 2¼ points off at £64¾.

In the Leisure sector, Horizon Midlands drifted back 3 to 104p, but Westward TV firmed 1½ to a peak for the year of 30½p.

Concern over BL's latest labour problems cast a cloud over Motors and Distributors which closed on a dull note following small selling in an unwilling market. Lucas Industries were unusually dull at 323p, down 9, while Associated Engineering, 123p, and Rolls-Royce, 99½p, lost 3 apiece. Zenith Carburretter A, at 101p, also lost 3 following last Friday's Press inspired improvement of 5. Dana Corporation reflected currency influences with a fall of 1¼ points to £22¼, while Commercial Vehicles had modest losses in ERF, 122p, and York Trailer, 53p. Nelson David were again on offer, losing a penny to 9½p for a two-day reaction of 1½ on the preliminary figures.

Richard Clay responded to favourable weekend Press comment with a rise of 4 to 92p, while the increased offer from Starwest of 80p cash per share left Tridant Group a shade dearer at 77½p. Collett Dickenson, a good market of late on take-over hopes, opened higher at 89p following late business last Friday and improved further to close 8 up on balance at 93p.

Properties drifted lower on lack of interest. Property Security gave up 4 to 162p and Almatt 3 to 227p, while awaiting today's interim results, Slough eased 2 to 126p. Falls of 2 were also marked against Brixton, 106p, Evans of Leeds, 100p, and Great Portland, 308p. Adverse Press comment on the recent sale of its 5 per cent stake in Chesterfield Ronson (Europe) led to a reaction of 10 to 350p in Chesterfield.

BP sold late

With sentiment not helped by the Bingham investigation into the supply of oil to Rhodesia since the imposition of sanctions, Oil leaders passed a rather drab session yesterday. British Petroleum drifted down to 892p and recovered to 900p before late selling from the U.S. took the price back to a close of 888p for a fall of 20 on the day. Shell gave up 8 to 582p, after 580p. Royal Dutch lost a point to £46, mainly on dollar premium influences. Elsewhere, Siebens remained a dull market at 356p, down 6, and Ultramar eased 4 to 242p.

S. Hoffnung remained on offer, losing 3 to 77p for a two-day reaction of 10 on the sharply lower profits.

Small selling in an unwilling market took its toll on Investment Trusts which closed with a fairly lengthy list of modest falls. Alliance Trust eased 3 to 243p on further consideration of the interim results, while similar losses were sustained by Jardine Securities, 140p, and Scottish Eastern Investment, 152½p. In Financials, Haw Par responded to renewed speculative interest with a rise of 4 to a 1978 peak of 68p. Britannia Arrow hardened a penny to 17½p on the first-half recovery, while the 6½ per cent Cumulative Preference shares were marked up 10 to 60p on the Board's statement that the arrears will shortly be paid off and dividend payments resumed.

Shippings eased in a small business. Furness Withy stood out at 235p, down 9, while P. and O. Deferred, 85p, and British and Commonwealth, 278p, shed 2 and 4 respectively. Elsewhere, Milford Docks responded to Press mention with a rise of 2 to a 1978 peak of 92p.

Having touched 395p following Press comment, Guthrie ran into profit-taking and closed a net 7 down on the day at 380p.

De Beers weaken

South African Gold shares lost ground in sterling terms mainly owing to the further fall in the investment currency premium and despite the late jump in the bullion price which was finally $6.375 higher at $204.75 per ounce following the sharply increased U.S. trade deficit in July.

Trading in gold shares was subdued for most of the day with prices merely reflecting the lower premium. But interest tended to pick up in the late after-hours dealings as American buying followed the worsening U.S. trade deficit.

The Gold Mines index—which is calculated on cum premium prices—fell 2.3 to 173.6.

South African Financials also suffered from the decline in the premium with De Beers a further 14 off at 408p, compared with 456p prior to the half-year results announced on August 22. Anglo-American Investment Trust dropped a point to £44½ in sympathy with De Beers.

On the other hand Union Corporation attracted Cape support and closed 2 firmer at 300p in front of the increased interim and half-year profits. London-registered Financials were generally a penny or so harder in quiet trading.

In Platinums, Rustenburg were undisturbed at 96p despite news that the company is to increase its producer price to $250 per ounce, in line with that charged by Impala.

Gains in overnight Sydney and Melbourne markets were more than offset by the fall in the premium here and Australians consequently lost ground.

Exceptions, however, were diamond exploration issues. Northern Mining closed 6 higher at 115p, after opening at 118p, while Conzinc Riotinto put on 3 to 289p; the latter's sharply reduced profits and lower dividend had been discounted.

Among base-metal producers, North Broken Hill lost 7 to 118p and MIM Holdings 4 to 207p.

Tins registered widespread falls following the lower premium. Ayer Hitam gave up 30 to 385p and Tronoh 15 to 246p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	15	888	−20	926	720
ICI	£1	12	398	− 8	414	328
Rank Org.	25p	10	290	+ 8	290	226
Glaxo	50p	9	615	−13	635	515
Barclays Bank	£1	8	352	− 3	368	296
GEC	25p	8	306	− 7	317	235
Plessey	50p	8	103	− 1	105	87
BATs Defd.	25p	7	292	− 3	304	227
De Beers Defd.	R0.05	7	408	−14	464	285
Guthrie Corp.	£1	7	380	− 7	400	211
Shell Transport	25p	7	582	− 8	602	484
Unilever	25p	7	574	− 8	596	476
Burton A N/V	50p	6	177	+10	178	99
Dunlop	50p	6	76	− 1	90	71
EMI	50p	6	150	− 2	190	130

FINANCIAL TIMES STOCK INDICES

—	Aug. 29	Aug. 25	Aug. 24	Aug. 23	Aug. 22	Aug. 21	A year ago
Government Secs.	70.63	70.66	70.65	70.66	70.68	70.46	70.33
Fixed Interest	72.42	72.42	72.40	72.63	72.53	72.32	70.44
Industrial Ordinary	505.8	513.4	509.3	519.2	523.2	519.2	490.9
Gold Mines	173.6	175.9	177.3	178.2	182.4	179.7	109.1
Ord. Div. Yield	5.28	5.20	5.31	5.16	5.15	5.16	5.29
Earnings Y'ld % (full) (*)	15.76	15.54	15.85	15.58	15.51	15.41	14.98
P/E Ratio (net) (*†)	8.41	8.53	8.38	8.64	8.68	8.62	9.06
Dealings marked	4,348	4,897	6,036	5,895	5,727	4,541	4,852
Equity turnover £m	—	64.53	79.24	98.08	106.87	79.82	53.17
Equity bargains total	—	15,530	18,286	21,827	20,888	18,116	10,712

10 am 509.7. 11 am 507.1. Noon 507.8. 1 pm 506.7. 2 pm 506.7. 3 pm 506.9.

Latest index 01-246 8026.

*Based on 52 per cent corporation tax. †Nil=8.52.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	523.2 (22/8)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.5 (14/8)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Aug. 29	Aug. 25
—Daily		
Gilt-Edged	146.3	141.3
Industries	167.2	183.0
Speculative	31.7	30.8
Totals	99.0	111.8
5-day Average		
Gilt-Edged	155.8	131.8
Industrials	205.2	207.6
Speculative	38.1	39.5
Totals	122.6	123.4

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug. 30	Sep. 11	Nov. 23	Dec. 5
Sep. 12	Sep. 25	Dec. 7	Dec. 19
Sep. 26	Oct. 9	Dec. 7	Jan. 9

For rate indications see end of Share Information Service

Stocks favoured for the call included Burmah Oil, Spillers, London Brick, Diploma Investments, Pentland Industries, Oliver Rix, Burton A and Town and City Properties. Puts were done in J. Lyons and Associated Dairies, while doubles were arranged in Amalgamated Tin, Barker and Dobson and Associated Dairies.

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	750	152	—	172	—	—	—	887p
BP	800	102	—	132	—	147	—	"
BP	850	56	—	96	1	112	—	"
BP	900	34	2	68	—	84	—	"
BP	950	12	6	39	1	56	4	"
Com. Union	140	19	—	21	—	27	—	154p
Com. Union	160	8	5	11	—	15	—	"
Com. Union	180	1½	—	5	—	7	2	"
Cons Gold	160	33	—	33	—	39	—	188p
Cons. Gold	180	17	2	21	—	29	—	"
Cons. Gold	200	6	—	11½	—	17	—	"
Courtaulds	100	18	—	20	—	—	—	118p
Courtaulds	110	11	—	12	—	17	—	"
Courtaulds	120	4½	18	7½	—	11½	—	"
Courtaulds	130	2	—	4½	5	7	—	"
GEC	220	88	—	90	—	—	—	307p
GEC	240	68	—	75	—	80	—	"
GEC	260	48	—	56	—	64	—	"
GEC	280	30	20	44	—	49	—	"
GEC	300	17	—	30	—	37	—	"
GEC	330	5½	4	14½	4	22	—	"
Grand Met.	100	18½	—	21	—	22½	—	116p
Grand Met.	110	8½	—	13½	—	15½	—	"
Grand Met.	120	4	—	8½	—	11	—	"
ICI	330	75	—	74	46	77	38	399p
ICI	360	45	1	44	—	50	5	"
ICI	390	19½	33	28	—	31½	—	"
ICI	420	7½	14	17	—	21	—	"
Land Secs.	180	59	—	61	—	65	—	237p
Land Secs.	200	39	—	43	—	47	—	"
Land Secs.	220	20	—	26	—	31	—	"
Land Secs.	240	7½	16	14	5	19	—	"
Marks & Sp.	60	27½	—	28	—	29	—	86p
Marks & Sp.	70	17½	30	17½	—	19	—	"
Marks & Sp.	80	9½	—	9½	8	12½	—	"
Marks & Sp.	90	3½	—	5½	—	6½	—	"
Shell	500	90	—	91	—	106	—	584p
Shell	550	44	—	53	—	71	—	"
Shell	600	15½	20	26	—	41	—	"
Totals			172		71		44	

APPOINTMENTS

Group chief executive change at Fairclough

Mr. Edwin Garner, a director of FAIRCLOUGH CONSTRUCTION GROUP and chief executive of Fairclough Civil Engineering, has been appointed group chief executive from October 1. Mr. Oswald Davies, at present chairman and chief executive, will continue as group chairman and in overall control of the group's overseas interests. Mr. Garner joined Fairclough in 1953 and has been particularly concerned with the whole of the company's involvement in motorways.

★

Mr. Roy A. Paterson, chief building surveyor of HANOVER ST. GEORGE ESTATES, has been appointed a director.

★

Mr. Gustavo Roca has been appointed a director of the HAVANA INTERNATIONAL BANK.

★

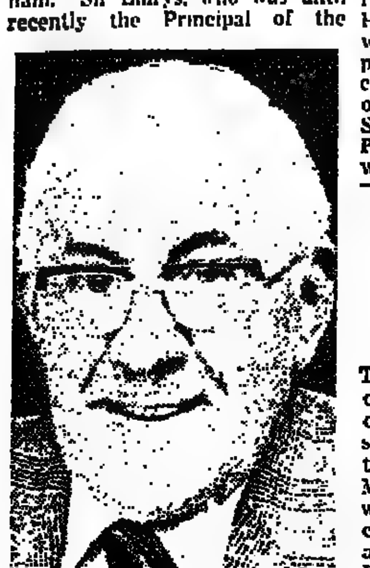
Mr. D. M. McGrouther has been appointed a member of the ELECTRICITY COUNCIL for five years from September 4. Mr. McGrouther is at present deputy chairman of the South Western Electricity Board. Mrs. B. J. Edwards, managing director of Ameeco (Personnel Services), is to be a part-time member of the EASTERN ELECTRICITY BOARD for three years from September 1.

★

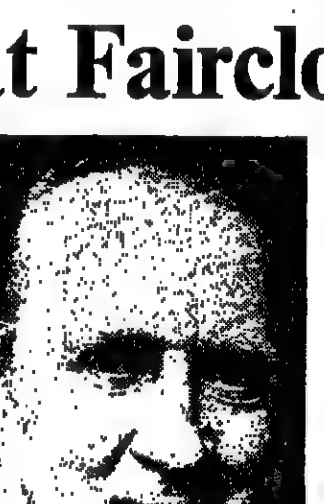
Mr. Harry Everitt will be joining the Boards of ROBERT FLEMING HOLDINGS and its subsidiary ROBERT FLEMING AND CO. from October. Until June of this year, Mr. Everitt was a director of the Guinness Peat Group and a managing director of Guinness Mahon and Co.

★

Sir Emrys Jones has been appointed, from September 1, to the North and East Midlands Regional Board of LLOYDS BANK which sits under the chairmanship of Mr. G. C. Kent in Nottingham. Sir Emrys, who was until recently the Principal of the Royal Agricultural College, Cirencester, is now Principal Emeritus.



Sir Emrys Jones



Mr. Edwin Garner

★

Mr. David A. Jarvis has been appointed an additional director of CLINOTHERM.

★

Sir Ieuan Maddock has been elected chairman of SIRA INSTITUTE, to take office after the annual meeting on October 17. The retiring chairman is Dr. Sydney Jones, who has held that position since 1970.

★

Mr. R. T. Collet has been appointed financial director of TILHILL FORESTRY ADVISORY.

★

The Secretary for Education and Science has appointed Sir Alec Merrison vice chancellor of the University of Bristol, to be chairman of the ADVISORY BOARD FOR THE RESEARCH COUNCILS. He will take up that position, which is for four years, on completion next year of his post as chairman of the Royal Commission on the National Health Service. Sir Alec will be succeeding Professor Sir Frederick Stewart who has been chairman of the Advisory Board since October, 1973.

★

Mr. Peter Sweet is to become North West Regional Industrial Adviser at the DEPARTMENT OF INDUSTRY in Manchester on September 1. Mr. Sweet has spent all his business career with the Simon Group. He became a director of Henry Simon in 1971 and managing director in 1975.

★

Mr. John Farthing has been appointed a director of Stanley Gibbons Auctions. Mr. Colin Whitehead has become a director of Stanley Gibbons Ltd., and Mr. Brian Travis has been made a director of Stanley Gibbons Products, members of the STANLEY GIBBONS GROUP.

★

Mr. Arthur Boydell has been appointed deputy chief executive of RIVINGTON REED from September 1. He is at present managing director of Wardle Fabrics, part of the Vantona Group.

★

Mr. K. C. Dudley has been appointed director-general of the CAMPDEN FOOD PRESERVATION RESEARCH ASSOCIATION from November 1. He replaces Mr. H. R. Hinton, who retired earlier this year on health grounds.

★

Mr. Bryan C. Weldon and Mr. Hugh Lester have been appointed joint managing directors of WELDON AND WILKINSON. Mr. Weldon also has the position of deputy chairman. Mr. Lester was previously managing director of Loughborough Dye Works.

★

Mr. John Bischoff has been appointed to the Board of INGERSOLL LTD. as sales director from September 1 and Mr. Des Johnson will also join the Board on that date. Mr. Johnson is managing director of Watch and Clock Centre, a subsidiary.

★

Mr. Harold Badcock, head of finance and company secretary of LABGEAR (Pye Group), has retired.

★

Mr. D. A. Littleboy has been appointed company secretary to HARRISON CLIFF AND GOEDHUIS (VINTNERS).

Call to end 'dumping' children in hospitals

BY JAMES McDONALD

THE GOVERNMENT should detail what it considers the role of the mental handicap hospital so far as children are concerned, the National Association for Mental Health said yesterday when commenting on a draft consultative circular to health and local authorities by the Department of Health and Social Security.

The circular, it said, was an attempt to stop hospitals being used as "dumping grounds" for children whose families were left with little or no help and support until they could no longer cope, and hospital admission was the only alternative, "despite the fact that hospital care is not needed."

Although the circular was a small step in the right direction, "it fails to give parents any substantial hopes for a better alternative to hospital."

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (43)

BANKS (1)
Cater Ryder
BUILDINGS (4)
Gibbs & Dandy · SGB Group
Pochin's · Travis & Arnold
CHEMICALS (1)
Ellis & Everard
STORES (4)
Burton Group · Fine Art Dvlpts.
Do. A N-V · Hepworth (J.)
ELECTRICALS (1)
Dreamland
ENGINEERING (4)
Danks Gowerton · Farmer (S. W.)
Drake & Scull · Hill & Smith
FOODS (4)
Cullens · Goldrei Foucard
Do A · Lovell (G. F.)
INDUSTRIALS (10)
Brammer (H.) · Huntleigh
Burns Anderson · Macfarlane
Cole (R. H.) · Rank Org.
Dundonian · Russell (A.)
Ibstock · Saga Holidays
LEISURE (3)
Gnome Photo. · Westward TV
Nationwide Leis.
MOTORS (1)
Hartwells
PAPER (4)
Clay (Richard) · Tridant Group
Collett Dickenson · Watmoughs
SHIPPING (1)
Milford Docks
SHOES (1)
Ward White
TEXTILES (2)
Foster (John) · Jerome (Hldgs.)
TRUSTS (1)
Haw Par
TEAS (1)
Blantyre

NEW LOWS (4)

AMERICANS (1)
General Electric
MOTORS (1)
York Trailer
OILS (1)
Sceptre Res.
TEAS (1)
Lawrie Plants.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	4	11	62
Corpns. Dom. and Foreign Bonds	2	3	60
Industrials	120	544	577
Financial and Prop.	29	259	222
Oils	1	14	28
Plantation	3	9	19
Mines	16	52	60
Recent Issues	4	4	29
Totals	179	895	1,349

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P/E Ratio
58	F.P.	31/8	81	71	Cartiers Superfoods	78	......	u2.41	3.1	4.7	7.0
‡	F.P.	—	12¼	4	Emray	10¼	......				
85	F.P.	24/8	94	85	Hunting Petr. Services	88	......	4.65	5.0	8.0	5.2
115	F.P.	8/9	164	158	Jones (E.) (Jew'lrs) 10p	158	−1	66.5	2.1	5.4	15.5

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
£99.4	F.P.	—	99¼	99	Birmingham Var Rate 83-85	99	......
‡‡	F.P.	8/9	98½	98	Caffyns 10% Pref.	98½	......
£99¾	F.P.	—	100	99¾	Camden Var. Rate Red. 1983	99¾	......
£100	£50	15/12	51¼	50½	Do. 12½% Red. 1985	50½	......
‡‡	F.P.	15/9	99	96	Central & Sherwood 10% Pref.	97½	......
‡‡	F.P.	29/9	99	98	Crosby Spring Interiors 10% Pref.	98	......
‡‡	F.P.	29/9	99½p	97p	E.R.F. 10% Cum. Pref.	98½p	+½
‡	F.P.	—	96	96	East Anglia Water 7% Red. Pref. 1983	96	......
‡‡	F.P.	29/9	99½	98¼	G. R. Holdings 10½% Pref.	99½	......
£99½	F.P.	—	99½	99¼	Kensington and Chelsea Var. Rate 1983	99⅜	......
‡‡	F.P.	—	80	80	Mooloya 12% Partly Conv. Uns. Ln. '86-'88	80	......
100p	Nil	7/9	21p	18p	Negretti and Zambra 9% Cnv. Pref.	18½p	......
£1..	F.P.	—	99¾	99⅝	Northampton Var. Rate Red. 1983	99¾	......
100p	F.P.	1/9	101p	98½p	Pitman 10% Cum. Pref.	101p	+½
‡‡	F.P.	—	101p	98p	Raybeck 10½% Cum. Pref.	100p	......
‡‡	F.P.	29/9	95½	94½	Rotork 9½% Cum. Pref.	95	......
‡‡	F.P.	15/9	99	98½	Sotheby Parke Bernet 9¾% Cum. Pref.	98½	+½
£99¾	F.P.	—	100	99¾	Sefton Var. Rate Red. 1983	99⅝	......
£99¾	F.P.	—	99½	99⅛	Strathclyde Var. Rate 1985	99⅛	......
£99¾	F.P.	—	99⅞	99⅝	Wandsworth Variable 1983	99⅞	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978 High	1978 Low	Stock	Closing Price p	+ or −
$20	Nil	—	—	40	33	Bank of Montreal	38	−2
50	F.P.	30/8	24/11	71	67	Blackwood Hodge	70	+½
56	F.P.	2/8	1/9	59	46	Headlam Sims & Coggins	59	......
10	Nil	—	—	1½pm	1½pm	††Kunick Hldgs.	1½pm	......
70	F.P.	10/8	21/9	98	79	Leech (Wm.)	95	−1
77	Nil	11/9	27/10	9pm	7pm	Lex Services	8½pm	......
35	F.P.	5/8	1/9	48½	46	Norton (W. E.)	47	......
94	F.P.	21/8	4/10	111	104	Property Partnerships	111	......
30	F.P.	28/7	8/9	72	56	Sutcliffe Speakman	64	......
110	F.P.	14/8	8/9	159	134	Tecalemit	156	......
100	F.P.	25/8	22/9	121	119	Williams J'm's 9.5% CvCmRdPf	121	......
84	F.P.	18/8	15/9	104	90	Yorkshire Chemicals	101	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. u Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. u Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ||| Introduction. ⌐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Aug. 29, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp. Tax 52%	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. Aug. 25 Index No.	Thurs. Aug. 24 Index No.	Wed. Aug. 23 Index No.	Tues. Aug. 22 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	242.93	−1.1	15.86	5.07	8.67	245.63	244.49	247.74	248.95	202.34
2	Building Materials (27)	220.94	−0.9	15.90	5.07	8.84	222.97	221.86	225.45	226.68	175.50
3	Contracting, Construction (27)	397.95	−0.5	17.53	3.73	8.28	399.81	400.43	410.60	413.64	288.97
4	Electricals (14)	524.16	−1.6	13.66	3.51	10.18	532.93	527.63	532.77	535.08	426.48
5	Engineering Contractors (14)	358.46	−1.0	16.80	5.78	7.93	362.03	362.41	364.87	363.73	300.33
6	Mechanical Engineering (72)	194.35	−1.0	17.00	5.58	7.85	196.40	195.33	197.68	198.66	170.61
8	Metals and Metal Forming (16)	176.46	−0.9	15.95	8.00	8.54	178.15	178.35	180.55	181.64	161.07
11	CONSUMER GOODS (DURABLE) (52)	219.47	−1.7	15.91	4.81	8.75	223.17	223.50	225.52	226.33	192.45
12	Lt. Electronics, Radio TV (15)	270.33	−1.7	13.81	3.77	10.12	275.10	275.79	277.75	279.14	232.56
13	Household Goods (12)	182.83	−0.9	16.22	6.19	8.48	184.49	184.96	185.77	186.42	173.40
14	Motors and Distributors (25)	131.49	−1.7	19.29	6.23	7.19	133.76	133.70	135.48	135.65	116.89
21	CONSUMER GOODS (NON-DURABLE) (175)	219.11	−0.9	14.90	5.50	9.06	221.15	220.77	224.08	225.49	185.73
22	Breweries (14)	233.23	−0.6	14.89	6.01	9.24	234.70	233.65	236.19	238.10	187.24
23	Wines and Spirits (6)	282.75	−1.2	15.07	5.08	9.90	286.27	283.93	288.14	288.43	222.98
24	Entertainment, Catering (17)	268.22	−0.7	14.87	6.43	9.80	270.16	269.84	273.09	275.26	227.82
25	Food Manufacturing (21)	215.15	−1.0	17.66	5.14	7.47	217.24	216.63	219.97	222.60	187.49
26	Food Retailing (15)	224.54	−0.5	13.54	4.60	10.28	225.77	225.17	229.18	233.52	196.09
32	Newspapers, Publishing (13)	398.86	−0.8	10.18	3.16	14.02	402.12	398.98	408.85	409.38	385.94
33	Packaging and Paper (15)	148.24	+0.8	17.55	7.17	7.49	147.10	146.38	147.33	148.33	131.91
34	Stores (40)	207.73	−1.4	10.38	4.35	14.15	210.66	210.70	214.40	216.22	177.13
35	Textiles (25)	180.33	−1.3	18.22	7.68	7.15	182.73	181.68	184.60	184.93	165.95
36	Tobaccos (3)	259.19	−0.8	21.24	7.23	5.57	261.35	262.94	266.50	263.63	217.44
37	Toys and Games (6)	119.95	−1.1	18.90	5.32	6.19	121.23	121.68	122.26	121.32	107.91
41	OTHER GROUPS (98)	212.63	−1.3	15.19	5.50	8.60	215.39	214.21	217.33	217.08	194.77
42	Chemicals (19)	298.19	−1.7	16.83	6.01	8.08	303.38	300.29	306.45	307.49	274.28
43	Pharmaceutical Products (7)	277.58	−1.5	10.32	3.68	11.99	281.73	279.77	283.47	283.95	0.00
44	Office Equipment (6)	146.46	+2.0	16.36	5.19	7.23	143.65	142.49	143.35	140.42	117.32
45	Shipping (10)	415.35	−1.4	17.41	7.37	7.08	421.08	419.46	421.43	421.26	485.18
46	Miscellaneous (56)	227.18	−1.4	16.00	5.89	8.30	230.35	230.47	233.47	232.59	192.82
49	INDUSTRIAL GROUP (495)	230.77	−1.1	15.28	5.34	8.82	233.35	232.62	235.89	236.81	199.35
51	Oils (5)	508.65	−1.8	14.50	3.88	7.48	517.93	516.09	523.72	520.04	507.97
59	500 SHARE INDEX	254.13	−1.2	15.17	5.13	8.60	257.23	256.41	260.04	260.64	224.52
61	FINANCIAL GROUP (100)	174.57	−1.0	—	5.53	—	176.35	175.94	178.13	179.20	147.81
62	Banks (6)	193.13	−0.7	24.21	6.06	6.20	194.43	191.79	194.09	197.57	154.15
63	Discount Houses (10)	217.96	—	—	7.93	—	218.04	217.62	216.46	213.78	188.43
64	Hire Purchase (5)	164.06	−2.3	12.04	5.02	12.29	167.88	166.81	168.92	169.79	140.02
65	Insurance (Life) (10)	147.85	−1.6	—	6.16	—	150.30	151.76	154.63	155.27	115.25
66	Insurance (Composite) (7)	134.22	−1.5	—	6.43	—	136.21	136.69	138.34	138.67	126.13
67	Insurance Brokers (10)	354.76	−1.1	13.25	4.48	10.80	358.68	355.97	361.55	363.77	344.40
68	Merchant Banks (14)	86.02	−0.4	—	5.69	—	86.36	86.16	86.45	86.23	70.23
69	Property (31)	258.94	−0.6	3.18	2.90	55.12	260.44	260.17	263.13	263.87	202.13
70	Miscellaneous (7)	114.21	−0.7	22.13	7.31	5.85	114.97	116.12	117.64	115.87	96.12
71	Investment Trusts (50)	234.79	−1.2	2.97	4.39	33.71	237.71	239.72	240.42	240.22	168.42
81	Mining Finance (4)	107.82	+0.2	16.36	6.41	7.44	107.58	108.32	107.91	110.33	94.66
91	Overseas Traders (19)	332.59	−0.8	16.38	6.75	7.65	335.42	331.52	333.88	333.93	280.13
99	ALL-SHARE INDEX (673)	233.68	−1.1		5.22	—	236.38	235.79	238.82	239.56	202.92

FIXED INTEREST PRICE INDICES

	British Government	Tues. Aug. 29	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.84	+0.01	—	6.70
2	5-15 years	115.40	—	—	7.04
3	Over 15 years	121.12	—	—	9.21
4	Irredeemables	127.14	+0.17	0.22	8.91
5	All stocks	113.15	+0.01	0.06	7.72

	FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Tues. Aug. 29	Fri. Aug. 25	Year ago (approx.)
1	Low Coupons	5 years	8.74	8.74	6.46
2		15 years	10.90	10.89	10.95
3		25 years	11.60	11.60	11.84
4	Medium Coupons	5 years	11.52	11.49	9.98
5		15 years	12.10	12.09	11.90
6		25 years	12.11	12.11	12.34
7	High Coupons	5 years	11.51	11.50	10.28
8		15 years	12.58	12.58	13.06
9		25 years	12.79	12.79	13.17
10	Irredeemables		11.58	11.60	11.71

		Tuesday Aug. 29 Index No.	Tuesday Aug. 29 Yield %	Fri. Aug. 25	Thur. Aug. 24	Wed. Aug. 23	Tues. Aug. 22	Mon. Aug. 21	Friday Aug. 18	Thur. Aug. 17	Year ago approx.
16	20-yr. Red. Deb & Loans (15)	57.82	†12.84	57.82	57.82	57.82	57.82	57.78	●57.79	●57.64	54.37
16	Investment Trust Prefs. (15)	51.32	13.59	51.32	51.32	51.32	51.33	51.64	●51.73	●51.73	51.11
17	Coml. and Indl. Prefs. (20)	70.82	13.91	70.82	70.82	70.87	70.88	70.14	●70.15	●70.25	60.77

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p. ● Corrected.

AUTHORISED UNIT TRUSTS

CLIVE INVESTMENTS LIMITED

1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.

Index Guide as at August 15, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	132.07
Clive Fixed Interest Income	114.65

CORAL INDEX: Close 505-510

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	9%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

World Wide Growth Management

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US16.62	-0.05	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

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Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	1978 Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly	24	......	—	—
40	33	Do 5pc Pref.	40	......	—	—
98	98	Chilean Mixed	98	......	—	£3.10
415	350	German Yng 4½pc	411	......	4½	—
54	46	Greek 7pc Ass.	54	......	3½	£6.60
51	46	Do 6pc 28 Stab Ass.	51	......	6	£5.88
44	40	Do 4pc Mixed Ass.	43	......	4	£4.65

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 41¼% (based on US$1.9800 per £)
Conversion factor 0.7066 (0.6901)

CANADIANS

S.E. List Premium 41¼% (based on $2.2866 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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هكذا من الاصل

هيكلمن الاصول

INDUSTRIALS—Continued

1978 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
95	64	Initial Services	90	+2	4.64	2.6	7.7	6.8
12¾	8	Inter-City 20p	12	+½	0.61	2.7	7.6	7.4
52½	39	James (John)	51xd	−1½	2.76	♦	8.1	♦
15	9½	James (J.) Inds. 20p	14½	......	d1.02	♦	10.4	♦
305	149	Jardine M. SHK5	264	−9	Q67c	2.2	3.0	14.8
32½	23½	Jentique	30½	......	†b2.03	1.2	9.9	13.0
12½	10	Johnson & Barnes	11	−½	—	—	—	—
112	76½	Johnson Clark	107	−3	†3.95	4.0	5.6	4.9
480	375	Johnson Mthy. £1	463	−7	13.83	3.6	4.5	8.9
45	32	Jourdan (T.) 10p	44	−1	2.93	2.7	9.9	4.8
33	28	Kalamazoo 10p	33	......	†1.98	1.8	8.9	9.4
118	88	Kelsey Inds.	105	......	3.28	6.6	4.7	4.9
47	23	Kennedy Sm. 10p	43	......	g1.60	2.3	5.6	12.0
£10¼	900	Kershaw (A.) 5p	£10⅝	−⅛	†16.14	2.0	2.3	(26.3)
72½	64	Kleen-E-Ze Hldgs.	67	......	d4.33	1.9	9.7	8.1
96	76	L.C.P. Hlds.	94	......	4.86	2.4	7.7	6.4
43	32	L.K. Ind'l. Invs.	37	......	d2.64	3.0	10.6	5.4
43	34½	L.R.C. Int. 10p	36½xd	−1½	2.23	♦	9.2	♦
68	53	Lawtex	67	......	2.95	4.8	6.6	4.7
164	128	Lead Inds. 50p	161	−1	7.48	3.3	6.9	6.6
120	99	Leadenhall Sterling	120	......	4.15	4.4	5.3	6.4
49	38	Le Bas (Ed.)	42	......	1.85	4.2	6.6	5.6
56	43½	Leboff Fobel 10p	47xd	......	1.79	♦	5.7	♦
70	36	Lebus Harris	46	−2	3.32	2.9	10.8	(3.7)
171	133	Leigh Ints. 5p	166	−1	†4.43	2.2	4.0	22.2
145	102	Leisure Car. 10p	145	......	4.55	2.3	4.7	14.2

INSURANCE—Continued

1978 High	Low	Stock	Price	+ or —	Div Net
173	137	Prudential 5p	160	−3	6.75
154	125	Refuge 5p	148	−2	8.22
425	343	Royal	395	−5	†16.[illegible]
475	310	Sedg. Forbes 10p	463	−5	†9.74
110	94	Stenhouse	108	......	†4.1[illegible]
606	504	Sun Alliance £1	576	−8	20.46
117	91	Sun Life 5p	108	−2	†3.47
£10	679	Taisho Mar. EDR	900	−5	Q10[illegible]
180	155	Trade Indemnity	180	......	8.60
£31½	£17⅝	Travelers $2.50	£28½	−1	Q$1.6[illegible]
303	247	Willis Faber	273	−2	9.14

LEISURE

1978 High	Low	Stock	Price	+ or —	Div Net
91	69	Anglia TV 'A'	87	−1	†4.2[illegible]
67½	44½	Assoc. Leisure 5p	66½	......	3.07
134	60	Barr & W.A.T. 'A'	130	−1	d3.7[illegible]
119	96	Black Edgtn. 50p	114	......	4.47
212	163	Boosey & Hawkes	177	......	5.16
135	99	Campari 20p	121	−2	†1.86
122	90	Do. 'B'	114	−2	—
144	93	Coral Leis. 10p	106	−1	6.09
62	40	Gnome Photo 10p	62	+1	2.84
40	32	Grampian 'A' 10p	38	......	2.23
65	55	Green Group 10p	65#	......	Q4.2[illegible]
132	108	HTV Non/Vtg.	131	−1	†s6.70
41	35	Highgate Opt. 10p	35	......	td1.0[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

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EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
61	35	Barymin	53	−1	—	—	—
17	9	Burma Mines 17½p.	13	......	—	—	—
300	215	Cons. Murch. 10c	240	......	‡Q30c	2.6	‡
465	245	Northgate C$1	380	−10	—	—	—
248	164	R.T.Z.	240	......	9.5	2.8	5.9
90	30	Sabina Inds. C$1	58	......	—	—	—
£12	750	Tara Expln. $1	862	−13	—	—	—
73	43	Tehidy Minerals 10p.	68	......	♦1.35	♦	3.0
185	120	Yukon Cons. C$1	158	−2	Q7c	2.9	2.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- £ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ≠ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 44

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	25½	......
Ash Spinning	45	......
Bertam	20	......
Bdg'wtr. Est. 50p	315	......
Clover Croft	26	......
Craig & Rose £1	520	......
Dyson (R. A.) A	38	......
Ellis & McHdy.	63	......
Evered	22	+2
Fife Force	52	......
Finlay Pkg. 5p	21	......
Sheff. Refrshmt.	65	+2
Sindall (Wm.)	105	......

IRISH

Conv. 9% '80/82	£92¾	......
Alliance Gas	62	......
Arnott	360	......
Carroll (P.J.)	105	......
Clondalkin	95	......

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday August 30 1978

Loan to Casio may pay for plant in Europe

BY JOHN LLOYD

CASIO, THE Japanese electronics company that dominates the world calculator market, is to raise a DM 40m (£10.3m) loan in West Germany today, possibly for setting up a factory in Western Europe.

Interest will be 3½ per cent, although it is not yet known who the bankers will be.

It is known that the money will be spent on plant development, and Casio has been said to be interested in establishing a European factory. At present all its products—calculators, watches and electronic cash registers—are manufactured in Japan.

Growth

Casio's rapid growth has paralleled that of the world calculator market over the past five years. The company claims 65 per cent of the Japanese market, where Sharp, with about 25 per cent, is the nearest competitor, and no less than 40 per cent of the world market, with Texas Instruments and Commodore strong in the U.S. and Europe respectively.

The world market for calculators last year was about 65m units. Little growth is expected this year, when the market is estimated to be worth between £700m and £800m. Sales in the U.S. represent about two-fifths of the market, with Europe taking a quarter and Japan a fifth.

Airline bid to raise Atlantic fare fails

BY JOHN WYLES

NEW YORK, August 29.

AIRLINE ATTEMPTS to raise trans-Atlantic scheduled economy fares have met Civil Aeronautics Board disapproval despite the fact that there has been no increase in these fares since November 1974.

The board confirmed today that a pace-setting application from Trans World Airlines for approval for a 5 per cent rise in the normal economy fare would be turned down.

Its decision, which will be set out shortly in a formal order, has broader implications because both Pan American World Airways and British Airways have made similar applications.

However, the board will approve Trans World's application to raise discount fares from November by between 10 and 15 per cent.

But Trans World's plans for these fares look likely to be modified, because since it filed its proposals in June Pan Am and British Airways have suggested somewhat different increases, and Trans World has submitted a revised proposition aimed at protecting its competitive position.

If the increases are approved the airline's average fare increases will amount to around 3.5 per cent compared with the 7.5 per cent originally sought.

Differential

The decision on Trans World implies that the board accepts that basic cost increases will justify an increase in discount fares, but believes that the higher passenger loads now being carried sufficiently offset any decline in revenue per passenger caused by the de facto freeze on economy fares.

A board source said today that the airlines already enjoy a substantial margin over costs on economy fares and there appeared to be no case for widening this.

Trans World argued in its application that in the last four years the board had allowed increases of up to 30 per cent on domestic coach fares. This had produced a differential between domestic and international passenger yields which was "certainly not in line with the per-mile operating costs of international versus domestic service."

While standing firm against an economy fare increase the board is to allow a 5 per cent increase in first-class fares.

Trans World expects to have an easier passage with an application filed yesterday for an increase in domestic passenger fares from November 1.

The airline says that a 3.6 per cent increase would be justified on the basis of present costs and one of 4 per cent on the basis of figures which should be available when the board makes its decision.

Trans World is the first airline to file for a domestic fare increase and its application follows a general 3 per cent rise implemented by domestic carriers on May 1.

Discounts on steel imports hit British producers

By Roy Hodson

DISCOUNTS of up to 25 per cent on published steel prices offered on foreign steel in the British market are putting new pressures on the British Steel Corporation and private-sector producer members of the British Independent Steel Producers' Association.

The price-cutting, which contravenes the EEC's Davignon plan for steering the industry out of its difficulties, is thought to be widespread, and complaints are being made to Eurofer, the "club" of the European steelmakers, and the European Commission.

Both steel makers and steel user bodies are supplying evidence.

The allegation that many EEC steelmakers are breaking—at least as far as the British market is concerned—the pricing rules and guide-lines drawn up by Viscount Davignon, the EEC Commissioner for Industry will cause new tensions in Eurofer at a time when the organisation is anxious to present a strong and united front.

Loyalty strained

The disparity between the prices which the European Commission is striving to maintain for the steelmakers of the Nine through application of the Davignon Plan, and the actual ruling prices of many forms of steel imported into Britain, is causing mounting concern among steel-buyers in industry.

They feel their loyalty to British sources is being strained unreasonably by the situation.

Competition from low-cost imports is fierce in three widely-used forms of steel: hot rolled coil for automotive products and general engineering; wire, rod, and bar; and tubes.

The Davignon Plan will require EEC steelmakers to restrain production in the rest of this year to below 10m tonnes a month as an essential part of the strategy of matching supply and demand.

This will mean cuts of up to 1m tonnes production a month to be shared among the companies, including British Steel and the British independent producers.

But there are fears that production restraint at British steelworks will allow even higher sales of foreign-produced steel in Britain by the more aggressive traders.

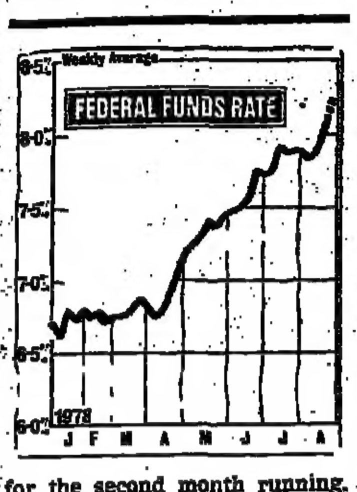
The dilemma was mentioned at last week's meeting of Eurofer in Brussels, and will be discussed again at meetings in September.

THE LEX COLUMN

No respite for the dollar

The FT 30-Share Index has shed 17.4 points in the week since it touched its 10-month high of 523.2. The gilt-edged market has scarcely wavered, however, and inactivity has been the key point, with official markings yesterday at their lowest level for six months. The main marginal influence on the market has been nervous speculation about the date of the election.

Index fell 7.6 to 505.8



U.S. dollar

The dollar was initially marked higher yesterday, as an immediate reaction to the news of the elimination of the reserve requirements on U.S. banks' foreign borrowings and the rumours about the possible imposition of reserve requirements on the largely unregulated eurocurrency markets. But what improvement there was in the dollar's standing quickly disappeared following the dismal July trade figures. The $3bn deficit was the fourth largest on record and brings the deficit so far this year to $19.4bn — against last year's total of $15.2bn. Even the publication of the smallest rise in U.S. consumer prices since last December was not enough to stem the nervousness and the dollar ended the day sharply lower against almost all major currencies.

Once again the latest moves to prop up the dollar seem to offer little apart from psychological support. Unless U.S. domestic interest rates move sharply higher than eurodollar rates (which would be surprising) there seems little reason to believe that U.S. banks will start borrowing heavily in the eurocurrency market and repatriating the funds to aid the dollar. Meanwhile, the talk of imposition of reserve requirements on international banks' eurocurrency business (which would curb the speculative flows) has been around for a long time and there is no real indication that such measures are any closer to being implemented.

So for the time being the outlook for the dollar still depends very much on the underlying fundamentals and in this context the latest batch of statistics is not particularly encouraging. In particular the sharp deterioration in the trade balance between June and July is disturbing since oil imports fell for the second month running. By contrast the inflation figures look mildly encouraging at first glance. But the improvement is entirely due to the stability in food prices and price inflation for the full year is still expected to be of the order of 8 per cent.

Against this background the U.S. authorities are continuing to tighten their monetary stance and with the Fed Funds in the region of 8¼ per cent a quarter point rise in bank prime rates is on the cards.

Reed International

The news that Reed International is actively negotiating with several Canadian companies with the aim of disposing in full of its Canadian subsidiary Reed Paper emphasises how far the parent has gone in the past nine months or so towards making its Canadian offshoot into a saleable proposition. At the beginning of the year Reed Paper was reporting heavy losses, and was cluttered with troublesome peripheral activities, while its debt of some C$210m compared with tangible equity of C$132m. Since then it has been extensively cleaned up—for instance, through the sale of the decorative products side to the parent for C$35m—while the disposal of the British Columbian pulp interests is bringing in C$60m cash, representing a book surplus of over C$30m. The upshot is an operation just swinging round into profits, and with a debt:equity ratio probably falling to 1:1 or less.

All this greatly improves Reed International's chances of selling the Canadian side at somewhere near book value—remembering that big write-downs, by their impact on the parent's equity base, would ruin any chance of worthwhile reductions in overall gearing. A disposal at book value, on the other hand, would bring in around £80m as well as leading to the deconsolidation of roughly the same amount of Canadian debt—adding up to a useful dent in the parent's debt mountain (some £380m last March). Having plumbed the depths of 100p last February, the share price touched the 1978 high of 164p yesterday before closing at 160p.

Tax certificates

Five years ago the Government was raising hardly any new money from the non-bank private sector, other than through gilt-edged sales. In the financial year 1977-78, however, the total net inflow attracted by national savings and certificates of tax deposit had mushroomed to £1.4bn. This is the context in which yesterday's package of more attractive terms for national savings and tax certificates should be seen.

Though available to all taxpayers, certificates of tax deposit are primarily used by companies—which are traditionally not heavy buyers of gilts, the main instrument of public sector funding. The total amount outstanding of these certificates has apparently fluctuated around the £350m mark for some time. There was a record inflow of £427m in the third quarter of last year, but the first half of 1978 saw an outflow of more than £300m as companies paid their Corporation Tax bills.

The new bonus 1 per cent per annum rate on certificates held for more than six months should help counter further net outflows at a time when companies' tax bills are rising. The current interest rate of 10 per cent plus 1 per cent after six months (equivalent to 10½ per cent on twelve-month holdings) is very competitive with returns on other short-term money investments. But it is only worth buying when a company expects actually to need to pay UK tax, since there is a 2 per cent penalty and no bonus on certificates cashed in.

MacMillan Bloedel shows interest in Reed Paper stake

BY ROBERT GIBBENS AND ANDREW TAYLOR

MacMILLAN Bloedel, Canada's largest forest products group, confirmed yesterday that it is among several major Canadian companies interested in acquiring Reed International's 87 per cent stake in Reed Paper, its troubled Canadian pulp and paper subsidiary.

The British-based multinational, which showed total net borrowings of £384m in its last account, has been attempting to reduce its debt over the past 18 months through a series of disposals, mostly of overseas assets.

In six weeks Reed has raised £66m by selling joint venture interests in Canada and a 63 per cent stake in its South African packaging subsidiary Nampak.

It has been expected for some time that Reed would attempt to dispose of its stake in Reed Paper, but the group said yesterday that discussions with various interested Canadian companies were only at the preliminary stage.

Earlier this year Reed International bought the decorative products business of Reed Paper for £17.1m and last month the group disposed of its joint venture pulp interest in British Columbia for £27m.

Within the Canadian industry it is being said that the remaining assets of Reed Paper, which include a Quebec newsprint mill, a pulp and paper mill at Dryden and various chemical, pigment, linerboard and flexible packaging interests, could bring between C$200m and C$350m (£91m-£157m).

However, Reed Paper has substantial borrowings, totalling more than C$200m (£90m) in the last accounts. The company is valued at around £50m in the Reed International books.

The parent group has already taken steps to reduce its borrowings following the recent disposals, and last week announced that it is to make early repayment of £25m of Swiss franc borrowings. This is on top of the £24m of overseas debt the group is to repay out of the cash raised from the sale of its Nampak stake.

That still leaves the group with substantial foreign currency borrowings.

Reed Paper, which has suffered from the slump in the world pulp markets, announced a C$66m (£29m) loss last year, including a C$46m (£20m) extraordinary loss by disposals and closures.

Phillips finds more oil near Toni discovery

By Kevin Done, Energy Correspondent

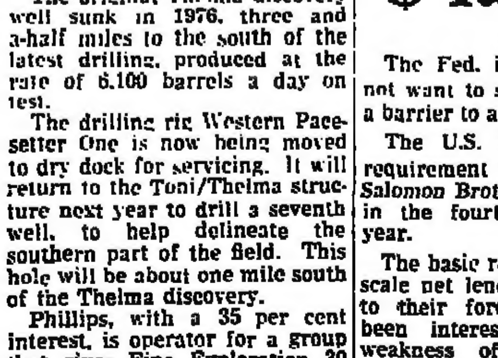
PHILLIPS PETROLEUM has boosted prospects for the commercial development of its Toni/Thelma oil discovery in the North Sea with encouraging results from its latest appraisal well.

The well, the sixth on block 16/17, was one of the deepest yet drilled in the North Sea.

It confirmed the orginal oil and gas-bearing "pay zone" discovered by earlier wells and also found a new hydrocarbon-bearing zone at a deeper level in Middle Jurassic rock.

Tests on the latest well produced flows at the deeper level of 2,957 barrels of oil a day, plus 1.26m cubic feet of gas.

In the Upper Jurassic rock layer, in which earlier discoveries were made, oil flowed at 2,992 barrels a day and gas at 3.7m cubic feet.



This sixth well was the fourth on the block to test "significant" oil flows, Phillips said yesterday. It was found about three-quarters of a mile north-east of the Toni discovery well, which flowed at the rate of 10,000 barrels a day on test.

The original Thelma discovery well sunk in 1976, three and a-half miles to the south of the latest drilling, produced at the rate of 6,100 barrels a day on test.

The drilling rig Western Pacesetter One is now being moved to dry dock for servicing. It will return to the Toni/Thelma structure next year to drill a seventh well, to help delineate the southern part of the field. This hole will be about one mile south of the Thelma discovery.

Phillips, with a 35 per cent interest, is operator for a group that gives Fina Exploration 30 per cent, AGIP 17.88 per cent, Century Power and Light 8.6 per cent, and Oil Exploration (Holdings) 8.52 per cent.

Associated Engineering gains control of Fluidrive

BY TERRY OGG

A LAST minute rush of acceptances and strategic buying by Hill Samuel, the merchant bank, has given Associated Engineering (AE) victory in the struggle for Fluidrive Engineering, the transmission group.

Associated Engineering announced yesterday that it had marginally more than 50 per cent of Fluidrive shares that it needed for control, and its offer had been declared unconditional. The statement follows the formal closing of the offer last Friday and comes less than a week after Thomas Tilling, the rival bidder, indicated that it was renewing its £5.8m share offer.

Tilling's original offer of five shares for every eight Fluidrive shares was rejected as opportunist by the Fluidrive directors. AE subsequently offered 80p a share cash or three of its shares for every four Fuidrive shares and received the Fluidrive directors recommendation.

When Tilling announced that it was renewing its offer it had approximately 32,000 of Fluidrive's 6.87m shares. At the same time, AE and its associates had acquired or received acceptances covering 18 per cent. of the outstanding shares. Later in the week, AE received support from the institutions and on Friday its adviser bought 206,000 shares to help it past the 50 per cent mark.

Conceded

Mr. D. L. Donne, Fluidrive's chairman, said yesterday that as AE came in as the second bidder it had naturally had to pay more. "As the offer was financially better from the shareholders' point of view we decided that it was fair and reasonable to recommend it," he said. "We are not in the least unhappy about the outcome. Both bids came from very fine companies. AE had the better bid and they emerged successful."

Technically, Tilling's offer will remain open until September 29, but yesterday the company conceded defeat. It has returned the acceptances it received and, as the AE offer is roughly 10 per cent better in terms of the relative market valuation of the two companies' share prices at yesterday's closing price it does not expect to pick up many new acceptances.

AE has not yet made changes at Fluidrive but is expected at least to start discussions there within the next two weeks. They are likely to centre on how Fluidrive will form the nucleus for an industrial transmission group within AE.

Tilling, meanwhile, has not given up the idea of expanding its industrial transmissions interests, but is likely to concentrate on possible acquisitions in the U.S.

Continued from Page 1

$ falls in hectic dealing

The Fed, it is argued, would not want to see regulation M as a barrier to a net inflow of funds.

The U.S. Treasury financing requirement is estimated by Salomon Brothers at some $20bn in the fourth quarter of this year.

The basic reason for the large-scale net lending by U.S. banks to their foreign branches has been interest arbitrage. The weakness of the dollar has prompted borrowing of Euro-dollars for conversion into other currencies, while moves in the U.S. to push up rates have often been anticipated in Europe.

These two factors have meant that the differential between U.S. domestic rates and Eurodollar rates has been wider in recent months than usual encouraging banks in the U.S. to place deposits with their branches abroad to gain the benefit of the higher interest rates.

Another possible explanation given yesterday by analysts trying to account for the Fed's move on regulation M was that it was the first tentative step towards opening up New York as an international financial centre.

It was suggested that the Fed's statement that it was "a further move to improve the international position of the dollar" was merely an indication of the extent to which the U.S. authorities are clutching at every straw in their attempts to boost the dollar.

Ceramic trade profit up £15m

THE EXPORTS of the ceramic industry based in Stoke-on-Trent are still rising. Exports for the first half of the year reached a record £90.2m which was £15.1m up on the corresponding period last year.

The weight of exports in the period rose from 92,018 to 96,557 tonnes.

Continued from Page 1

National Savings

ciation said last night the changes would not help the movement.

"We are already suffering from the increase in the maximum permitted holding of the 14th issue which helped account for July's poor receipts," the association said.

Any short term rise in mortgage rates, however, is unlikely. "Despite reports of a cash famine our liquidity is fair though we will be looking closely at our net receipts in the next two or three months."

Meanwhile the Treasury yesterday announced a bonus of 1 per cent a year interest on certificates of tax deposit held for more than six months. The present rate on new deposits applied to tax is 10 per cent.

هكذا من الاصل

Weather

UK TODAY

MAINLY DRY in most parts, with bright spells.

London, SE, SW, Central S England Channel Isles
Mostly dry some sunny intervals. Max. 19-21C (66-70F).

E Anglia, E England
Scattered showers, sunny inter vals. Max. 17-19C (63-66F).

Midlands, Wales, Isle of Man, NW, Cent. N England, N Ireland
Mostly dry sunny intervals. Max. 17-19c (63-6F).

NE England, Borders, Edinburgh, Dundee
Scattered showers, sunny intervals. Max. 16-18C (61-64F).

Aberdeen, SW, NE, NW Scotland Glasgow cent Highlands Moray Firth, Argyll, Orkney, Shetland
Scattered showers sunny intervals. Max. 17C (63F).

Outlook: Mostly dry but some rain spreading to NW.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	C	14	57	Madrid	S	31	88
Athens	S	30	86	Manchestr.	C	15	59
Bahrain	S	33	91	Melbourne	C	13	55
Barcelona	S	27	81	Milan	F	22	72
Beirut	S	27	81	Montreal	C	19	67
Belfast	C	16	61	Moscow	R	12	54
Belgrade	S	22	72	Munich	S	18	64
Berlin	R	13	55	Newcastle	C	16	61
Bmghm.	C	16	61	New Delhi	S	30	86
Bristol	C	17	63	New York	S	27	81
Brussels	C	16	61	Oslo	F	16	61
Budapest	S	20	68	Paris	F	19	66
B. Aires	C	10	50	Perth	C	15	59
Cairo	S	32	90	Prague	F	18	64
Cardiff	C	17	63	Reykjavik	C	11	52
Chicago	S	22	72	Rio de J'o	S	28	82
Cologne	R	17	63	Rome	F	27	81
Copnhagn.	C	16	61	Singapore	C	29	84
Dublin	C	16	61	Stockholm	C	15	59
Edinburgh	C	18	64	Strasbrg.	F	19	66
Frankfurt	C	20	68	Sydney	C	15	59
Geneva	C	19	66	Tehran	S	30	86
Glasgow	C	16	61	Tel Aviv	S	28	82
Helsinki	F	15	59	Tokyo	C	31	88
H. Kong	C	29	84	Toronto	C	27	81
Jo'burg	S	21	70	Vienna	S	20	68
Lisbon	C	24	75	Warsaw.	F	15	59
London	C	17	63	Zurich	F	19	66
Luxemb'g	C	18	64				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	79	Jersey	C	20	68
Algiers	S	30	86	Las Plms.	S	25	77
Biarritz	S	24	75	Locarno	F	23	73
Blackpool	C	15	59	Majorca	S	33	91
Bordeaux		25	77	Malaga	S	28	82
Boulogne	C	18	64	Malta	S	28	82
Cape Town	S	16	61	Nairobi	S	23	73
Corfu	S	28	82	Naples	C	26	79
Dubrovnik	F	26	79	Nice	S	25	77
Faro	S	25	77	Nicosia	S	29	84
Florence	S	28	82	Oporto	C	23	73
Funchal	F	25	77	Rhodes	S	28	82
Gibraltar	S	25	77	Salzburg	S	19	66
Guernsey	C	20	68	Tangier	S	30	86
Innsbruck	S	21	70	Tenerife	S	22	72
Inverness	C	16	61	Tunis	S	31	88
Isle of Man	C	16	61	Valencia	F	30	86
Istanbul	S	27	81	Venice	S	22	72

S—Sunny. F—Fair. C—Cloudy. R—Rain.

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